Province of Newfoundland

Public Accounts

Volume IV (A - L)

Accounts of Crown Corporations Boards and Authorities

For The Year Ended
31 March 1999

PRINTED UNDER AUTHORITY OF THE HOUSE OF ASSEMBLY

St. John's, Newfoundland

GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

Department of Finance
Office of the Minister

November, 1999

The Honourable A.M. House, C.M., M.D., FRCPC
Lieutenant-Governor of Newfoundland and Labrador

Sir,

I have the honour to present the Accounts of Crown Corporations, Boards and Authorities for the financial year ended 31 March 1999.

Respectfully submitted,
Your Honour's obedient servant,

PAUL DICKS, Q.C.
Minister of Finance

INTRODUCTION

The financial statements of the various Crown Corporations, Boards and Authorities of the Province of Newfoundland as itemized in the Table of Contents are reproductions of the original financial statements issued.

The Public Accounts, Volume I, provides the audited consolidated summary financial statements. The audited financial statements of the Consolidated Revenue Fund are presented in the Public Accounts, Volume II. The Public Accounts, Volume III provides supplementary statements and schedules of the Consolidated Revenue Fund for information purposes.

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	1999	867
Western Regional Health and Community Services Board	1998	883
	1999	895

The financial statements of the following agencies were not received in time for inclusion in this volume:

NAME	YEAR
Burin Peninsula School Board	1998
Central Newfoundland Regional Community Health Board	1999
Central West Health Corporation	1998
College of the North Atlantic	1999
Enterprise Network Inc.	1999
Enterprise Newfoundland and Labrador Corporation	1999
Farm Development Loan Board	1999
Fisheries Loan Board of Newfoundland	1999
Health and Community Services-St. John's Region	1998
Newfoundland Cancer Treatment and Research Foundation	1998
Newfoundland Farm Products Corporation	1998
Newfoundland Government Fund	1998 1999
Newfoundland and Labrador Education Investment Corporation	1999
Newfoundland Industrial Development Corporation	1999
Newfoundland Legal Aid Commission	1999
Office of the High Sheriff of Newfoundland	1999
Provincial Genetics Program	1998 1999
Provincial Perinatal Program	1998 1999
Public Health Laboratory	1998 1999
St. John's Nursing Home Board	1999
Workplace Health, Safety and Compensation Commission	1998

ADVISORY COUNCIL ON THE ECONOMY

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Clerk of the Executive Council
and Secretary to Cabinet
St. John's, Newfoundland

I have audited the balance sheet of the Advisory Council on the Economy as at 31 March 1999 and the statement of revenue, expenditure and equity for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
31 May 1999

ADVISORY COUNCIL ON THE ECONOMY

BALANCE SHEET

31 MARCH 1999

	1999	1998
ASSETS		
Current		
Cash	$47,595	$59,666
Accounts receivable (Note 2)	26,566	26,573
	74,161	86,239
Capital assets (Note 3)	-	-
	$74,161	$86,239
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$17,492	$21,830
Equity	56,669	64,409
	$74,161	$86,239

See accompanying notes

Signed on behalf of the Council:

Clerk of the Executive Council
and Secretary to Cabinet

Director of Finance and General
Operations, Executive Council

ADVISORY COUNCIL ON THE ECONOMY

STATEMENT OF REVENUE, EXPENDITURE AND EQUITY

FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
REVENUE		
Interest income	$ 125	$ 174
	125	174
EXPENDITURE		
General	-	12
Office lease (Note 4)	7,780	-
Professional services	85	738
	7,865	750
Excess of expenditure over revenue	(7,740)	(576)
Equity, beginning of year	64,409	64,985
Equity, end of year	$56,669	$64,409

See accompanying notes

ADVISORY COUNCIL ON THE ECONOMY

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

The Advisory Council on the Economy (the Council) operates under the authority of the Economic Advisory Council Act. The purpose of the Council is to provide independent responsible policy advice and recommendations to the Premier and Cabinet on issues affecting the economy of the Province. Its affairs were managed by a Council consisting of 15 members appointed by the Lieutenant-Governor in Council.

On 16 May 1996, the Government announced that the functions of three entities: the Advisory Council on the Economy, the Newfoundland and Labrador Science and Technology Advisory Council, and the Newfoundland and Labrador Round Table on the Environment and Economy would be combined. The combined Councils are now funded under the Cabinet Secretariat of Executive Council.

The responsibility for winding up the affairs of the Advisory Council on the Economy has been transferred to Executive Council. This transfer included a Federal/Provincial cost-shared activity referred to as the Labour Relations Project. Effective 28 May 1996, the required staff of the Advisory Council on the Economy were transferred to Executive Council for the duration of the project. Other operating expenditures for the project were paid from the Advisory Council on the Economy funds. The project was completed in November 1996.

There was a settlement of the Council's lease obligation in September 1998. It is intended to have the Economic Advisory Council Act repealed and subsequently wind up operations.

1. Significant accounting policies

These financial statements have been prepared by the Council in accordance with generally accepted accounting principles. Outlined below is the significant accounting policy followed.

Capital assets

All capital assets were recorded at cost at the time of acquisition and have been fully expensed in prior years.

ADVISORY COUNCIL ON THE ECONOMY

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

2. Accounts receivable

	1999	1998
Province of Newfoundland	$27,182	$27,182
Salary overpayment	17,467	17,467
Miscellaneous	8	15
	44,657	44,664
Less: allowance for doubtful accounts	18,091	18,091
	$26,566	$26,573

3. Capital assets

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Furniture and equipment	$166,807	$166,807	$ -	$ -
Leasehold improvements	14,003	14,003	-	-
	$180,810	$180,810	$ -	$ -

4. Office lease

Office space had been leased for a five-year term commencing 1 October 1993. Effective 1 November 1995, the lease agreement was amended to reflect the acquisition of additional office space. This resulted in the annual minimum lease payments increasing from $22,134 to $32,322.

A portion of the office space previously used by the Council was sublet to a third party for the remaining term of the lease period, with the residual office space being used by the lessor up to 31 March 1998. During 1998-99 the Council paid a total of $7,780 as its remaining obligation under the lease.

ADVISORY COUNCIL ON THE ECONOMY

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

5. Financial instruments

The Council's financial instruments recognized in the Balance Sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities, the carrying value of which approximate fair value due to the short-term maturity associated with these instruments.

6. Income taxes

The Council is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

AVALON EAST SCHOOL BOARD

FINANCIAL STATEMENTS/AUDITORS' REPORT

JUNE 30, 1998

AVALON EAST SCHOOL BOARD

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AUDITORS' REPORT

The Minister of Department of Education
Government of Newfoundland & Labrador

We have audited the balance sheet of Avalon East School Board as at June 30, 1998 and the statements of current revenues, expenditures and Board equity (deficiency), changes in financial position and changes in Capital Fund for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the Board, as well as evaluating the overall financial statement presentation.

Note 1(b) to the financial statements describes the accounting policy for the Board's capital assets. The audited financial statements of the former Roman Catholic School Board for St. John's did not include the costs of new schools and school extensions acquired before June 30, 1988. In this respect these financial statements are not in accordance with the Department's required basis of accounting.

In our opinion, except for the effects of the capitalization policy of the Board described in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with the Department's required basis of accounting.

Deloitte & Touche LLP

Deloitte & Touche LLP

St. John's, Newfoundland,
March 16,1999.

Deloitte Touche
Tohmatsu

AVALON EAST SCHOOL BOARD

BALANCE SHEET

June 30, 1998

	1998	1997
Assets		
Current Assets		
Cash (Supp. Info. 1)	$ 1,738,282	$ 2,352,557
Short Term Investments (Supp. Info. 2)	2,105,172	2,864,656
Accounts Receivable (Note 3)	1,773,219	1,323,378
Prepaid Expenses (Supp. Info. 3)	273,948	188,677
Total Current Assets	5,890,621	6,729,268
Property and Equipment (Sch. 8)	104,465,486	102,661,435
	$ 110,356,107	$ 109,390,703
Liabilities and Board Equity		
Current Liabilities		
Due to the Government of Newfoundland & Labrador	$ -	$ -
Accounts Payable and Accrued (Note 5)	2,236,367	2,590,837
Current Maturities (Schedule 9B)	-	-
Total Current Liabilities	2,236,367	2,590,837
Long-Term Debt (Schedule 9)	-	-
Teachers Severance Pay Benefits (Note 2)	23,681,069	-
Other Employees Severance Pay Accrual	2,274,208	2,182,766
	25,955,277	2,182,766
Other Employee Benefits (Note 8)	679,698	689,402
Board Equity		
Investment In Capital Assets (Note 7)	104,465,486	102,661,435
Reserve Account (Note 6)		
Board Equity (Deficit)	(22,980,721)	1,266,263
Total Board Equity	81,484,765	103,927,698
	$ 110,356,107	$ 109,390,703

See Accompanying Notes

Approved:

Chairperson

Treasurer

AVALON EAST SCHOOL BOARD

Statement of Current Revenues, Expenditures and Board Equity (Deficiency)

Year Ended June 30, 1998

	1998	1997
Current Revenue (Schedule 1)		
Provincial Government Grants	$ 145,400,283	$ 76,155,834
Donations	-	-
Ancillary Services	25,093	5,500
Miscellaneous	951,118	303,006
	146,376,494	76,464,340
Current Expenditures		
Administration (Schedule 2)	2,987,846	1,694,949
Instruction (Schedule 3)	122,545,797	62,462,443
Operations and Maintenance (Schedule 4)	13,383,468	7,454,941
Pupil Transportation (Schedule 5)	7,031,100	4,070,062
Ancillary Services (Schedule 6)	124,289	7,167
Interest Expense (Schedule 9C)	-	602,202
Miscellaneous Expense (Schedule 7)	-	-
	146,072,500	76,291,764
23 111 Excess of Revenue over Expenditure before undernoted item	303,994	172,576
Transfer to Capital Fund	869,909	250,567
Excess of Expenditure over Revenue for the Period	(565,915)	(77,991)
Cumulative Deficits - Prior Boards	-	(11,054,851)
Fund Balance of Avalon East School Board - June 3	1,266,263	-
Deficit Reduction Grant (Note 1(a))	-	871,000
Debt Retirement Grant (Note 1(a))	-	11,528,105
Teacher severance pay accrual (Note 2)	(23,681,069)	-
Fund Balance (Deficiency), End of the Period	$ (22,980,721)	$ 1,266,263

See Accompanying Notes

AVALON EAST SCHOOL BOARD

Statement of Changes in Financial Position
Year Ended June 30, 1998

		1998
60	**Operating Activities**	
011	Excess of Revenue over Expenditures (Expenditures over Revenue)	$ 303,994
012	Changes in Non-Cash Working Capital	
013	- Short Term Investments	759,484
014	- Accounts Receivable	(449,841)
015	- Prepaid Expenses	(85,271)
014	- Accounts Payable & Accrued Expenses	(354,470)
015	- Amortization of deferred expenses	-
016	Other - Severance pay accrual	91,442
	Other - Other employee benefits	(9,704)
		255,634
61	**Financing Activities**	
011	Proceeds form Bank Loans	-
012	Grants - Capital	934,142
013	Other Capital Revenue	-
014	Changes in Long-Term Debt	-
015	Other	
		934,142
62	**Investing Activities**	
011	Proceeds in Sale of Capital Assets	-
012	Additions to Property and Equipment	(1,804,051)
013	Other	-
		(1,804,051)
63	**Increase (decrease) in Cash**	(614,275)
64	**Cash, Beginning of the Period**	2,352,557
65	**Cash, End of the Period**	$ 1,738,282

See Accompanying Notes

AVALON EAST SCHOOL BOARD

Statement of Changes in Capital Fund

Year Ended June 30, 1998

		1998	1997
70	**Capital Receipts**		
71	**Proceeds from Bank Loans**		
011 -	School Construction	$ -	$ -
012 -	Equipment	-	-
013 -	Service Vehicles	-	-
014 -	Pupil Transportation	-	-
015 -	Other	-	-
		-	-
72	**DEC Grants**		
011	School Construction and Equipment	-	-
012	Other	-	-
		-	-
73	**Donations**		
011 -	Cash Receipts	-	-
012 -	Non-Cash Receipts	-	-
013 -	Restricted Use	-	-
		-	-
74	**Sale of Capital Assets - Proceeds**		
011 -	Land & 012 Buildings	-	-
013 -	Equipment	-	-
014 -	Service Vehicles	-	-
015 -	Pupil Transportation Vehicles	-	-
016 -	Other	-	-
		-	-
75	**Other Capital Revenues**		
011 -	Interest on Capital Fund Investments	-	-
012 -	Premiums on Debentures	-	-
013 -	Recoveries of Expenditures	-	-
015 -	Insurance Proceeds	-	-
016 -	Native Peoples Grants	-	-
017 -	Miscellaneous		
	- Department of Education Capital Grants	68,666	503,238
	- Department of Education Info Technology Grants	807,900	-
	- Cost sharing for Info Technology Grants	57,576	-
Total Capital Receipts		934,142	503,238
77	**Transfer from Reserve Account**	-	-
78	**Transfer to/from Current Fund**	869,909	250,567
Total		$ 1,804,051	$ 753,805

See Accompanying Notes

AVALON EAST SCHOOL BOARD

Statement of Changes in Capital Fund (Cont'd)

Year Ended June 30, 1998

		1998	1997
80	**Capital Disbursements**		
81	**Additions to Property & Equipment**		
011	- Land and Sites	$ -	$ -
012	- Buildings	399,677	490,640
013	- Furniture & Equipment - School	1,326,923	169,978
014	- Furniture & Equipment - Other	63,551	93,187
015	- Service Vehicles	13,900	-
016	- Pupil Transportation	-	-
017	- Other	-	-
		1,804,051	753,805
82	**Principal Repayment of Long Term Debt**		
011	- School Construction	-	-
012	- Equipment	-	-
013	- Service Vehicles	-	-
014	- Other	-	-
		-	-
83	**Miscellaneous Disbursements**		
013	- Other	-	-
	Total Capital Disbursements	$ 1,804,051	$ 753,805

See Accompanying Notes

1. (a) Establishment of Avalon East School Board

In 1996, the Province of Newfoundland passed legislation, pursuant to the Schools Act and the Education Act , to facilitate the reorganization of school boards in the province. Effective, January 1, 1998, The Avalon Consolidated School Board , the Conception Bay South Integrated School Board , the Roman Catholic School Board for Ferryland District and The Roman Catholic School Board for St. John's were dissolved. The operations, agreements, assets, liabilities and other obligations of these boards and two school formerly operated by the Pentecostal Assemblies of Newfoundland were assumed by the Avalon East School Board (the "Board") based on audited financial information provided by these predecessor boards.

During the period ended June 30, 1997, the Department of Education, Government of Newfoundland and Labrador ("the Department") funded the operating deficits of the predecessor boards except for accrued obligations for severance pay and other employee benefits and provided the Board with funding to repay its long term debt.

(b) Significant Accounting Policies

These financial statements have, in management's opinion, been properly prepared within reasonable limits of materiality and within the framework of accounting policies summarized below:

Revenue

The Board's main source of funding is derived from the Department of Education. The Department provides funding for operations, transportation, capital expenditures and teacher salaries and severance pay. Funding designated for specific purposes is deferred and included in revenue when the related expenditures have been incurred.

Capital Assets

Capital assets acquired by the Board on January 1, 1997 are recorded based on the December 31, 1996 audited financial statements of the predecessor boards (See Note 1). The predecessor boards followed different methods, under generally accepted accounting principles, of accounting for additions and disposal to capital assets . Additions to capital assets after January 1, 1997 are recorded at cost. Disposals and amortization are not recorded in the accounts.

Teachers' Payroll

The Government of Newfoundland processes the teachers' payroll and remits the source deductions directly to the appropriate agency. The amounts recorded in the financial statements represent gross salaries for the period.

1, (b) Significant Accounting Policies (Continued)

Student Assistants' Payroll

The Government of Newfoundland and Labrador processes the student assistants' payroll and remits the source deductions directly to the appropriate agency. The amounts recorded in the financial statements represent gross salaries for the period. Prior period figures are not readily available for comparative purposes.

Pension Costs

All permanent employees of the Board are covered by the Public Service Superannuation Plan administered by the Province of Newfoundland. Contributions to the plan are required from both the employee and the Board. The annual contributions for pensions are recognized in the accounts on a current basis.

2. Change in Accounting Policy

Pursuant to a directive during the year from the Department of Education, the Board recorded severance pay of $23.7 million at June 30, 1998 for teachers in the District. The Schools Act specifies that salaries and other compensation for teachers are the responsibility of the Department. The Board has received written approval from the Minister of Education for the deficit arising from the Department's requirement for the Board to accrue teachers' severance pay.

3. Accounts Receivable

			1998	1997
		Current		
11	131	Provincial Government	$ 221,978	$ 1,039
	132	Transportation	249,629	283,748
	133	Federal Government	524,866	251,524
	136	Other School Boards		
	137	Rent		
	138	Interest	29,415	
	139	Travel Advances and Misc.	494,850	148,090
		Capital		
11	231	Provincial Govt - Construction Grants		386,496
	233	Local Contributions		
	234	Other School Boards		
	235	Other - Note 10	252,481	252,481
			$1,773,219	$1,323,378

AVALON EAST SCHOOL BOARD

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 1998

4. Bank Indebtedness

		1998	1997
21 131	On Operating Credit	$	$
132	On Capital Account		
		$ -	$ -

5. Accounts Payable and Accrued Liabilities

		1998	1997
	Current		
21 111	Trade Payable	$ 619,037	$ 21,448
112	Accrued - Liabilities	491,404	502,227
113	- Interest		
114	- Wages	120,001	114,891
115	Payroll Deductions	54,626	76,818
116	Retail Sales Tax		2,821
117	Deferred Grants	658,934	571,584
118	Other		
	Capital		
21 211	Trade Payable	251,836	252,398
212	Accrued - Liabilities	40,529	240,750
213	- Interest		
217	Deferred Grants		807,900
218	Other		
		$2,236,367	$2,590,837

6. Reserve Account

	1998	1997
Balance, Beginning of Period	$ -	$ -
Less Transfer from Reserve		
Add Transfer to Reserve		
Balance, End of Period	$ -	$ -

7. Investment in Capital Assets

	1998	1997
Investment in Capital Assets, Beginning of Period	$ 102,661,435	$ 101,907,630
Add:		
Transfer of Operating Funds to Capital Fund	1,735,385	250,567
Grants - Contributions for Capital Const.	68,666	503,238
Proceeds from Sale of Capital Assets		
Interest on Capital Fund Investments		
Recoveries of Expenditures		
Insurance Proceeds - Capital		
Native Peoples Grants - Capital		
Miscellaneous		
	104,465,486	102,661,435
Deduct Adjustments:		
Cost of assets sold		
	-	-
Other - Government of Newfoundland and Labrador adjustments		
- Adjustment to carrying value of certain fixed assets		-
23 221 - Investment in Capital Assets, End of Period	$ 104,465,486	$ 102,661,435

8. Employee Benefits Liability

	1998	1997
Pension plan	$ 33,378	$ 47,764
Unused pre-1985 sick leave	646,320	641,638
	$679,698	$ 689,402

The Board charges operations with the amount of benefits accruing to employees in each year.

Legislation enacted in 1986 allowed employees who were not previously participating in the pension plan to elect to participate in the plan. As at June 30, 1998, the maximum amount of the Board's potential obligation was $33,378. The actual obligation will be determined by actual contributions made by the Board's employees.

The Board has an obligation to pay certain employees at the termination of their employment for unused sick leave accumulated prior to January 1, 1985.

9. Lease Commitments

The Board is committed under the terms of various operating leases to make payments in the next five years approximately as follows:

1999	$861,200
2000	$850,700
2001	$791,000
2002	$420,500
2003	$275,200

10. Insurance Subsidy

The cost of insuring school properties is borne by the Provincial Government and no amount has been recorded in these accounts to reflect this cost.

11. Contingencies

The Board is named as a defendant in a legal action, in connection with construction of a school during the 1986 - 88 period, claiming that the Board is liable for certain progress claims, holdbacks, general damages and costs.

At June 30, 1998, the Board has accrued $252,000 for progress claims and holdbacks. Future costs in excess of this, if any, to satisfy general damages have not been determined. The Board has also accrued $252,000 as accounts receivable from the plaintiffs representing expenditures necessary to correct deficiencies on the project.

The plaintiffs have also made known their intention to file a claim against the Board's consultants for incurred costs and general damages amounting to $450,000. This potential claim may ultimately be referable to the Board, however the outcome of this potential claim is not determinable.

In addition, various subcontractors have issued claims against the plaintiffs, the Board and other subcontractors for certain costs and claims totaling $238,000. Management is of the opinion that the Board has defenses against these allegations and have filed counterclaims against the parties involved and third party proceedings against the Board's consultants and the bonding company.

12. Year 2000

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Board, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Schedule 1

AVALON EAST SCHOOL BOARD

Current Revenues
Year Ended June 30, 1998

		1998	1997
	Current Revenues		
32 010	**Provincial Government Grants**		
011	Regular Operating Grants	$ 20,712,472	$ 11,665,494
016	Special Grants		
	- French Immersion	99,668	4,728
	- Official Language Monitor	59,313	-
	- French Language recuperation	91,996	-
	- Textbook credit allocation	1,280	12,269
	- Communication Tech	-	20,000
	- Other	-	-
	Salaries and Benefits		
017	- Superintendent and Asst. Supts.	-	-
021	- Regular Teachers	114,927,259	60,360,837
022	- Substitute Teachers	-	-
	- Student Assistants	2,760,943	-
030	- Pupil Transportation	5,664,051	3,261,114
031	- Board Owned	-	-
032	- Contracted	-	-
033	- Handicapped	1,083,301	831,392
		145,400,283	76,155,834
33 010	**Donations**		
012	Cash Receipts	-	-
013	Non Cash Receipts	-	-
014	Restricted Use	-	-
		-	-
34 010	**Ancillary Services**		
011	Revenues from Rental of Residences	-	-
021	Revenues from Rental of Schools and Facilities (Net)	25,093	5,500
031	Cafeterias	-	-
032	Other	-	-
		25,093	5,500

AVALON EAST SCHOOL BOARD

Current Revenues
Year Ended June 30, 1998

		1998	1997
35 010	**Miscellaneous**		
011	Interest on Investments	$ 196,903	$ 133,934
012	Bus Charters	-	-
021	Recoveries of Expenditures (Workers' Compensation)	27,328	63,303
031	Revenues from Other School Boards	-	-
051	Insurance Proceeds	-	-
061	Bilingual Education Revenue	-	-
071	Operating Rev. from Native Peoples Grant	-	-
081	Miscellaneous Federal Grants	-	-
091	Textbooks	182,831	14,261
092	Other		
	- Summer and night school fees	161,421	-
	- User pay bussing	54,165	36,291
	- Sundry	328,470	55,217
		951,118	303,006
	Total Current Revenues	$ 146,376,494	$ 76,464,340

Schedule 2

AVALON EAST SCHOOL BOARD

Administration Expenditures
Year Ended June 30, 1998

		1998	1997
51	**Salaries and Benefits**	$ -	$ -
011	- Superintendents and Assistant Superintendents	387,273	206,196
012	- Board Office Personnel	1,381,104	776,236
013	Office Supplies	65,697	52,782
014	Replacement Furniture and Equipment	-	9,193
015	Postage	21,928	9,338
016	Telephone	61,209	57,531
017	Office Equipment Rentals and Repairs	71,143	62,850
018	Bank Charges	3,254	18,573
019	Electricity	40,532	25,570
021	Fuel	1,925	11,540
022	Insurance	93,421	53,712
023	Repairs and Maintenance (Office Building)	8,621	24,136
024	Travel	52,262	48,457
025	Board Meeting Expenses	70,985	45,864
026	Election Expenses	93,390	-
027	Professional Fees	288,504	52,884
028	Advertising	70,152	21,352
029	Membership Dues	-	-
031	Municipal Service Fees	-	-
032	Rental of Office Space	232,840	115,946
033	Relocation Expenses	-	37,815
034	Miscellaneous	43,606	64,974
035	Payroll Tax (included with salary costs)	-	-
	Total Administration Expenditures	$ 2,987,846	$ 1,694,949

Schedule 3

AVALON EAST SCHOOL BOARD

Instruction Expenditures
Year Ended June 30, 1998

			1998	1997
52	10	**Instructional Salaries (Gross)**		
	11	Teachers' Salaries - Regular	$ 95,526,902	$ 49,740,192
	12	- Substitute	3,513,581	2,085,718
	13	- Board Paid	238,757	16,526
	14	Augmentation	49,441	7,784
	15	Employee Benefits	15,034,008	8,376,258
	16	School Secretaries - Salaries & Benefits	2,448,930	1,088,507
	17	Payroll Tax	62,396	-
	18	Other - Salaries & Benefits - program asst	388,138	254,412
		Other - Salaries & Benefits - student asst	2,856,513	-
			120,118,666	61,569,397
52	40	**Instructional Materials**		
	41	General Supplies	1,076,654	417,675
	42	Library Resource Materials	158,817	69,796
	43	Teaching Aids	444,268	251,339
	44	Textbooks	183,407	14,261
			1,863,146	753,071
52	60	**Instructional Furniture and Equipment**		
	61	Replacement	249,024	55,491
	62	Rentals and Repairs	49,155	33,661
			298,179	89,152
50	80	**Instructional Staff Travel**		
	81	Program Co-ordinators	67,219	-
	82	Teachers' Travel	-	-
	83	Inservice and Conferences	107,991	19,668
			175,210	19,668
52	90	**Other Instructional Costs**		
	91	French Program	-	-
	92	Miscellaneous		
		- Costs relating to Government Grants	17,771	10,960
		- Other	72,825	20,195
			90,596	31,155
		Total Instruction Expenditures	$ 122,545,797	$ 62,462,443

AVALON EAST SCHOOL BOARD

Operations and Maintenance Expenditures - Schools
Year Ended June 30, 1998

			1998	1997
53	011	Salaries - Janitorial	$ 6,089,380	$3,272,188
	012	- Maintenance	936,265	435,361
	013	Payroll Tax	-	-
	014	Electricity	2,868,979	1,708,501
	015	Fuel	679,718	580,594
	016	Municipal Service Fee	110,733	54,184
	017	Telephone	469,663	225,551
	018	Vehicle Operating and Travel	101,194	45,478
	019	Janitorial Supplies	259,729	143,017
	021	Janitorial Equipment	-	-
	022	Repairs and Maintenance - Buildings	1,148,915	541,641
	023	- Equipment	10,540	15,223
	024	Contracted Services - Janitorial	-	-
	025	Snow Clearing	377,122	255,107
	026	Rentals	200,735	118,919
	027	Other (Miscellaneous)	130,495	59,177
		Total Operations and Maintenance	$13,383,468	$7,454,941

AVALON EAST SCHOOL BOARD

Pupil Transportation Expenditure
Year Ended June 30, 1998

			1998	1997
54	010	Operation and Maintenance of Board Owned Fleet	$ -	$ -
	011	Salaries and Benefits- Administration		
	012	- Drivers and	-	-
		Mechanics	-	-
	013	Payroll Tax	-	-
	014	Debt Repayment- Interest	-	-
	015	- Principal	-	-
	016	Bank Charges	-	-
	017	Gas and Oil	-	2,854
	018	Licenses	-	-
	019	Insurance	-	-
	021	Repairs and Maintenance - Fleet	-	5,693
	022	- Building	-	-
	023	Tires and Tubes	-	-
	024	Heat and Light	-	-
	025	Municipal Service	-	-
	026	Snow Clearing	-	-
	027	Office Supplies	-	-
	028	Rent	-	-
	029	Travel	-	-
	031	Professional Fees	-	-
	032	Miscellaneous	-	-
	033	Telephone	-	-
	034	Vehicle Leases	-	-
			-	8,547
54	040	Contracted Services		
	041	Regular Transportation	5,682,036	3,396,626
	042	Handicapped	1,349,064	664,889
			7,031,100	4,061,515
		Pupil Transportation Expenditures	$ 7,031,100	$ 4,070,062

AVALON EAST SCHOOL BOARD

Ancillary Services and Miscellaneous Expenses
Year Ended June 30, 1998

Schedule 6

Ancillary Services

The Board owns and operates the following ancillary services:

		1998	1997
55	**Ancillary Services**		
011	Operation of Teachers' Residences	$ -	$ -
031	Cafeterias	-	-
032	Other - Environmental Centre	124,289	7,167
		$ 124,289	$ 7,167

Schedule 7

Miscellaneous Expenses

The Board has incurred the following miscellaneous expenses:

57 011 **Miscellaneous Expenses**	$ -	$ -

Schedule 8

AVALON EAST SCHOOL BOARD

Details of Property and Equipment
Year Ended June 30, 1998

	Balance January 1, 1998	Additions	Disposals	Balance June 30, 1998
12 210 **Land and Sites**				
211 Land and Sites	$ 3,153,195	$ -	$ -	$ 3,153,195
12 220 **Buildings**				
221 Schools	92,480,433	399,677	-	92,880,110
222 Administration	924,892	-	-	924,892
223 Residential	-	-	-	-
224 Recreational	-	-	-	-
225 Other	-	-	-	-
	93,405,325	399,677	-	93,805,002
12 230 **Furniture and Equip.**				
231 Schools	5,806,674	1,326,923	-	7,133,597
232 Administration	296,241	63,551	-	359,792
233 Residential	-	-	-	-
234 Recreation	-	-	-	-
235 Other	-	-	-	-
	6,102,915	1,390,474	-	7,493,389
12 240 **Vehicles**				
241 Service Vehicles	-	13,900	-	13,900
12 250 **Pupil Transportation**				
251 Land	-	-	-	-
252 Building	-	-	-	-
253 Vehicles - Buses	-	-	-	-
254 - Service	-	-	-	-
255 Equipment	-	-	-	-
256 Other		-	-	-
	-	-	-	-
12 260 **Misc. Capital Assets**				
261 Other	-	-	-	-
Total Property and Equipment	$ 102,661,435	$ 1,804,051	$ -	$ 104,465,486

Schedule 9

AVALON EAST SCHOOL BOARD

Details of Long Term Debt
Year Ended June 30, 1998

	1998	1997
22 210 Loans Other than Pupil Transportation	$	$
Ref. #		
211 **Bank Loans**		
___ Repayable $________monthly, maturing _____	-	-
___ Repayable $________monthly, maturing _____	-	-
___ Repayable $________monthly, maturing _____	-	-
___ Repayable $________monthly, maturing _____	-	-
___ Repayable $________monthly, maturing _____	-	-
___ Repayable $________monthly, maturing _____	-	-
Total 211	-	-
212 **Mortgages**		
___ Repayable $________annually, maturing ______	-	-
___ Repayable $________monthly, maturing ______	-	-
___ Repayable $________monthly, maturing ______	-	-
___ Repayable $________monthly, maturing ______	-	-
___ Repayable $________monthly, maturing ______	-	-
___ Repayable $________monthly, maturing ______	-	-
Total 212	-	-
213 **Debentures**		
___ Repayable $________annually, maturing ______	-	-
___ Repayable $________monthly, maturing ______	-	-
Total 213	-	-
Subtotal	-	-
215 Less Current Maturities	-	-
Total Loans Other Than Pupil Transportation	-	-

AVALON EAST SCHOOL BOARD

Details of Long Term Debt
Year Ended June 30, 1998

	1998	1997
22 220 Loans - Pupil Transportation		
Ref. #		
221 **Vehicle Bank Loans**		
____ Repayable $______monthly, maturing _____	$ -	$
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
Total 221	-	-
222 **Land, Buildings and Equipment Bank Loans**		
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
____ Repayable $______monthly, maturing _____	-	-
Total 222	-	-
Subtotal	-	-
223 Less Current Maturities	-	-
Total Loans - Pupil Transportation	-	-
Total Long Term Debt	$ -	$ -

AVALON EAST SCHOOL BOARD

Summary of Long Term Debt
Year Ended June 30, 1998

Description	Ref#	Rate	Balance Beginning of Period	Loans Obtained During Period	Principal Repayment for Period	Balance End of Period
A) School Construction			$ -	$ -	$ -	$ -
B) Equipment			-	-	-	-
C) Service Vehicles			-	-	-	-
D) Other						
Integrated Education Council 8% - 9 3/4%			-	-	-	-
E) Pupil Transportation			-	-	-	-
Total Loans			$ -	$ -	$ -	$ -

AVALON EAST SCHOOL BOARD

Schedule of Current Maturities
Year Ended June 30, 1998

Description	Year 1	Year 2	Year 3	Year 4	Year 5
A) School Construction	$ -	$ -	$ -	$ -	$ -
B) Equipment	-	-	-	-	-
C) Service Vehicles	-	-	-	-	-
D) Other	-	-	-	-	-
E) Pupil Transportation	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -

AVALON EAST SCHOOL BOARD

Schedule of Interest Expense
Year Ended June 30, 1998

		1998	1997
56 010			
	Description		
012	**Capital**		
	School Construction	$ -	$ 556,510
	IEC	-	(16,921)
	Equipment	-	-
	Service Vehicles	-	-
	Other		
	Energy Management	-	62,613
	Total Capital	-	602,202
013	**Current** - Operating Loans	-	-
014	- Supplier Interest	-	-
	- Charges	-	-
	Total Current	-	-
	Total Interest Expense	$ -	$ 602,202

AVALON EAST SCHOOL BOARD

Supplementary Information
Year Ended June 30, 1998

1. Cash

			1998	1997
		Current		
11	110	Cash on Hand and in Bank	$ -	$ -
	111	Cash on Hand	-	-
	112	Bank - Current	1,738,890	2,249,833
	113	- Savings	-	-
	114	- Teachers' Payroll	(14,519)	(2,899)
	115	- Non Teachers' Payroll	12,411	99,195
	116	- Coupon (Debenture)	-	-
	117	- Other (Petty Cash)	1,500	500
			1,738,282	2,346,629
		Capital		
11	210	Cash on Hand and in Bank	-	-
	211	Cash on Hand	-	-
	212	Bank - Current	-	5,928
	213	- Savings	-	-
	214	- Other	-	-
			-	5,928
		Total Cash on Hand and in Bank	1,738,282	2,352,557

2. Short Term Investments

			1998	1997
		Current		
11	121	Term Deposits	-	-
	122	Canada Savings Bonds	-	-
	123	Other		
		- Canada Treasury Bills	1,999,452	2,756,325
		- Mutual Funds	100,000	103,593
		- Balance in Broker account	969	-
		- Guaranteed Investment Certificate	4,751	4,738
		Capital		
11	221	Term Deposits	-	-
	222	Canada Savings Bonds	-	-
	223	Other	-	-
		Total Short Term Investments	$ 2,105,172	$ 2,864,656

AVALON EAST SCHOOL BOARD

Supplementary Information
Year Ended June 30, 1998

		1998	1997
3.	**Prepaid Expenses**		
	Current		
11 141	Insurance		
142	Municipal Service Fees	$ 13,658	$ 15,819
143	Supplies	-	-
144	Other		
	- Equipment Lease	40,017	40,017
	- Workers' Compensation Commission	146,614	130,625
	- Garbage collection	1,500	1,675
	- Vehicle insurance	5,970	541
	- Other	66,189	-
	Capital	-	-
11 241	Other		
		$ 273,948	$ 188,677

Grant Thornton

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Canadian Member Firm of
Grant Thornton International

Avalon Health Care Institutions Board Operating Fund Financial Statements
March 31, 1999

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Grant Thornton

Grant Thornton

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Auditors' Report

To the Members of the
Avalon Health Care Institutions Board

We have audited the statement of financial position of the Avalon Health Care Institutions Board - Operating Fund as at March 31, 1999, and the statements of operations, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board - Operating Fund as at March 31, 1999 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

Grant Thornton
Chartered Accountants

St. John's, Newfoundland
July 30, 1999

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Avalon Health Care Institutions Board
Operating Fund
Statement of Operations

Year Ended March 31	1999	1998
Revenue		
Provincial plan - department's approved operating budget	$ 34,570,997	$ 32,915,145
Resident revenue - long term care	2,393,086	2,479,979
MCP physician revenue	2,243,482	1,953,481
Department of Health and Community Services - direct payments	261,056	303,503
Dietary recoveries	209,041	211,547
Inpatient	142,533	160,403
Outpatient	121,964	127,209
Mortgage interest subsidy	123,475	123,475
Other	192,332	222,260
	40,257,966	38,497,002
Expenditure		
Nursing inpatient services	17,277,861	16,492,779
Support services	9,912,000	9,677,411
Diagnostic and therapeutic services	4,885,496	4,680,739
Administration	4,224,038	4,084,570
Medical services	2,939,487	2,649,871
Ambulatory care services	2,027,057	1,988,836
Education	4,458	8,604
Undistributed	38,673	48,330
	41,309,070	39,631,140
Deficit prior to non-shareable items	(1,051,104)	(1,134,138)
Non-shareable items		
Amortization of deferred capital equipment grants	413,700	376,212
Depreciation	(413,700)	(376,212)
Accrued vacation expense - increase	(138,847)	(69,502)
Accrued severance expense - increase	(528,325)	(357,898)
	(667,172)	(427,400)
Deficit on operations	$ (1,718,276)	$ (1,561,538)

See accompanying notes to the financial statements.

Avalon Health Care Institutions Board
Operating Fund
Statement of Changes in Net Assets

Year Ended March 31	1999	1998
Balance, beginning of year	$ (7,469,352)	$ (5,907,814)
Special funding to cover prior years' operating deficits (Note 12)	2,245,000	-
Deficit on operations	(1,718,276)	(1,561,538)
Balance, end of year	$ (6,942,628)	$ (7,469,352)

See accompanying notes to the financial statements.

Avalon Health Care Institutions Board
Operating Fund
Statement of Financial Position

March 31	1999	1998
Assets		
Current		
Receivables (Note 4)	$ 4,602,562	$ 1,028,928
Inventories (Note 5)	1,075,844	987,805
Prepaid expenses	482,605	405,800
	6,161,011	2,422,533
Capital assets (Note 6)	10,853,640	10,390,398
Restricted use funds (Note 7)	268,133	261,115
	$ 17,282,784	$ 13,074,046
Liabilities		
Current		
Bank indebtedness	$ 5,005,444	$ 2,387,938
Payables and accruals	1,542,429	1,884,188
Accrued vacation pay	1,458,914	1,320,067
Deferred contributions - operating	622,034	149,168
Deferred contributions - capital	65,425	204,426
Due to Board Fund		65,031
Current portion of accrued severance pay	129,620	64,599
Current portion of long term debt	75,126	78,407
Current portion of obligations under capital leases	236,138	215,808
	9,135,130	6,369,632
Restricted use funds (Note 7)	268,133	261,115
Accrued severance pay	4,471,500	4,008,196
Long term debt (Note 8)	4,252,300	4,220,230
Obligations under capital leases (Note 9)	323,319	457,860
	18,450,382	15,317,033
Deferred contributions - unamortized portion of capital grants (Note 10)	5,775,030	5,226,365
	24,225,412	20,543,398
Net assets		
Net assets invested in capital assets	191,727	191,727
Unrestricted net assets	(7,134,355)	(7,661,079)
	(6,942,628)	(7,469,352)
	$ 17,282,784	$ 13,074,046

Contingencies (Note 13)
Uncertainty (Note 15)
On behalf of the Board

Member

Member

See accompanying notes to the financial statements.

Avalon Health Care Institutions Board
Operating Fund
Statement of Cash Flow

Year Ended March 31	1999	1998
Cash derived from (applied to)		
Operating		
Deficit on operations	$ (1,718,276)	$ (1,561,538)
Depreciation	413,700	376,212
Amortization of deferred capital grants	(413,700)	(376,212)
	(1,718,276)	(1,561,538)
Change in non-cash operating working capital (Note 11)	(899,230)	867,112
	(2,617,506)	(694,426)
Financing		
Deferred capital grants from Province of Newfoundland	867,099	216,408
Approved borrowing - capital leasing	101,597	658,037
Contribution to cover long term debt	78,378	88,939
Repayment of long term debt	(78,378)	(88,939)
Contributions to cover capital leases	215,808	260,242
Repayment of capital leases	(215,808)	(260,242)
	968,696	874,445
Investing		
Purchase of capital assets	(1,063,961)	(915,625)
Transfer from Board Fund for capital purchases	95,265	41,180
Net decrease in cash	(2,617,506)	(694,426)
Bank indebtedness		
Beginning of year	(2,387,938)	(1,693,512)
End of year	$ (5,005,444)	$ (2,387,938)

See accompanying notes to the financial statements.

Avalon Health Care Institutions Board
Operating Fund
Notes to the Financial Statements
March 31, 1999

1. Nature of operations

The Avalon Health Care Institutions Board assumed the assets and liabilities of the Trinity-Conception Regional Health Board, the Placentia and Area Health Care Board, the Conception Trinity Inter-Faith Citizens' Foundation, and the Medical Clinics Association effective April 1, 1995.

These financial statements reflect on a combined basis, the assets, liabilities, net assets, revenues and expenditures of the predecessor entities.

2. Change in method of accounting

During the year the Board adopted the CICA Handbook provisions relating to capital leases. This provision requires the Board to capitalize leased assets and amortize them on a basis consistent with the repayment of the related lease. The financial statements and comparatives for 1998 have been restated to reflect this retroactive change. As a result of this change, capital assets increased by $559,457 in 1999 ($673,668 - 1998) and obligations under capital leases increased by the same amounts. The opening capital assets at April 1, 1997 increased by $275,873.

3. Summary of significant accounting policies

Inventories

Inventory of drugs, medical and surgical supplies are valued at cost, determined on the first-in first-out basis.

Capital assets

Capital assets are recorded at cost, with the exception of the buildings occupied as Carbonear General Hospital, the Harbour Lodge Nursing Home, Dr. A. A. Wilkinson Memorial Hospital and Dr. Wm. H. Newhook Community Health Centre which are not recorded as assets of the Board.

Capital grants and assistance

Government grants relating to the acquisition of capital assets are recorded as deferred contributions and amortized on the same basis as the related asset is depreciated.

3. Summary of significant accounting policies (cont'd)

Depreciation

Rates of depreciation applied on the diminishing balance method to write off the cost of capital assets over their estimated useful lives are as follows:

Land improvements	10%
Buildings	2.5%
Residences	10%
Equipment	6.66%
Vehicles	20%

Revenue on operating assets

Revenue earned on operating assets of the Board are reflected in the separate financial statements of the Board Fund.

Pension costs

Employees of the Board are covered by the Public Service Pension Plan and the Government Money Purchase Pension Plan administered by the Province of Newfoundland. Contributions to the plans are required from both the employees and the Board. The annual contributions for pensions are recognized in the accounts on a current basis.

Severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continual service, and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. The amount is payable when the employee ceases employment with the Board.

4. Receivables

	1999	1998
Provincial plan	$ 4,023,451	$ 461,139
Services to patients	216,660	249,703
Other	345,895	318,086
Due from Board Fund	16,556	
	$ 4,602,562	$ 1,028,928

5. Inventories

	1999	1998
Drugs	$ 382,933	$ 341,937
Medical and surgical supplies	273,711	323,394
Linen supplies	168,976	134,168
Laboratory supplies	167,331	122,111
Radiology supplies	27,210	23,444
Food supplies	18,075	14,988
General supplies	37,608	27,763
	$ 1,075,844	$ 987,805

6. Capital assets

			1999	1998
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land and improvements	$ 196,037	$ 3,510	$ 192,527	$ 192,615
Buildings	5,390,889	1,080,156	4,310,733	4,379,362
Residences	218,811	171,552	47,259	60,539
Equipment	12,391,637	6,267,797	6,123,840	5,667,125
Vehicles	296,001	223,886	72,115	90,757
Construction in progress	107,166		107,166	
	$ 18,600,541	$ 7,746,901	$ 10,853,640	$ 10,390,398

7. Restricted use funds

The chief executive officer of the Board, on a voluntary basis, administers certain personal funds held in trust for residents. These funds do not form part of the assets of the Board and accordingly a corresponding liability is recorded representing the amount of funds held by the nursing homes.

Avalon Health Care Institutions Board
Operating Fund
Notes to the Financial Statements

March 31, 1999

8. Long term debt	1999	1998
7.47% Newfoundland and Labrador Housing Corporation mortgage, payable in monthly instalments of $24,380 including interest. The mortgage matures in 2020 and is secured by land and building.	$ 3,170,177	$ 3,227,152
10% Newfoundland and Labrador Housing Corporation mortgage, payable in monthly instalments of $7,283 including interest. The mortgage matures in 2028 and is secured by land and building.	1,002,824	1,010,946
Interim borrowing from operating fund bank account to finance design fees for the construction of a new health care facility at Old Perlican. This borrowing has been approved by the Department of Health and Community Services and will be repaid during the current year when bank financing for the construction of the new facility is arranged.	107,166	
7.2% Canadian Imperial Bank of Commerce mortgage, payable in weekly instalments of $173 including interest. The mortgage matures in 2005 and is secured by land and building.	47,259	52,711
Demand loan, repaid during the year.		7,828
	4,327,426	4,298,637
Less: current portion	75,126	78,407
	$ 4,252,300	$ 4,220,230

Principal payments required during the next five years are as follows:

2000 - $75,126; 2001 - $80,888; 2002 - $87,177; 2003 - $95,075; 2004 - $101,260.

9. Obligations under capital leases	1999	1998
6.34% Royal Bank of Canada leasing loan, repayable in monthly instalments of $5,659 with a cash payment of $100,000 due June 1999, maturing in 2003.	**$ 285,790**	$ 418,768.
7.73% Royal Bank of Canada leasing loan, repayable in monthly instalments of $3,350, maturing in 2001.	**70,606**	102,090
6.47% Royal Bank of Canada leasing loan, repayable in monthly instalments of $1,616, maturing in 2004.	**68,403**	
5.72% Royal Bank of Canada leasing loan, repayable in monthly instalments of $1,433, maturing in 2002.	**42,654**	56,155
8.66% Royal Bank of Canada leasing loan, repayable in monthly instalments of $1,592, maturing in 2002.	**35,773**	50,194
5.57% Royal Bank of Canada leasing loan, repayable in monthly instalments of $424, maturing in 2000.	**3,230**	7,859
7.10% Royal Bank of Canada leasing loan, repayable in monthly instalments of $478, maturing in 2004.	**22,610**	
7.53% Newcourt Financial Limited leasing loan, repayable in monthly instalments of $948, maturing in 2003.	**30,391**	38,602
	559,457	673,668
Less: current portion	**236,138**	215,808
	$ 323,319	$ 457,860

The capital leases are secured by specific equipment.

The payments required during the next five years are as follows:

2000	-	$ 269,411
2001	-	173,505
2002	-	118,181
2003	-	53,875
2004	-	10,106
		625,078
Less amount representing interest		65,621
		$ 559,457

10. Deferred contributions

Capital grants received by the Board are deferred and amortized on a declining balance method consistent with the depreciation rate for the related asset purchased. The changes in the deferred capital grants balance for the year are as follows:

	1999	1998
Balance, beginning of year	$ 5,226,365	$5,344,988
Capital grants	962,365	257,589
Amortization for the year	(413,700)	(376,212)
Balance, end of year	$ 5,775,030	$ 5,226,365

11. Change in non-cash operating working capital

	1999	1998
Receivables	$ (1,312,078)	$ 911,904
Inventories	(88,039)	(18,494)
Prepaid expenses	(76,805)	90,945
Payables and accruals	(341,758)	(769,875)
Accrued vacation pay	138,847	69,502
Accrued severance pay	528,325	357,897
Deferred contributions - operating	472,866	107,418
Deferred contributions - capital	(139,001)	124,761
Due to/from Board Fund	(81,587)	(6,946)
	$ (899,230)	$ 867,112

12. Prior years' deficit funding

Subsequent to year end the Board received $2,245,000 from the Department of Health and Community Services to cover prior years' cumulative deficits to March 31, 1998. After this payment the balance of cumulative deficits to March 31, 1998 is $23,216.

13. Contingencies

a) The amounts receivable from the Province of Newfoundland under the insured services plan are subject to final approval and acceptance from the Financial Services Division of the Department of Health and Community Services.

b) As of March 31, 1999 there were a number of claims against the Board in varying amounts for which no provision has been made. It is not possible to determine the amounts, if any, that may ultimately be assessed against the Board with respect to these claims, but management believes any claims, if successful, will be covered by liability insurance.

14. Comparative figures

Certain of the 1998 comparative figures have been reclassified to conform to the financial statement presentation adopted for 1999.

15. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those relating to the efforts of customers, suppliers, or other third parties, will be fully resolved.

AVALON WEST SCHOOL DISTRICT
AUDITORS' REPORT
AND FINANCIAL STATEMENTS
JUNE 30, 1998

SMITH
KING
CHARTERED ACCOUNTANTS

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PARTNERS:

Byron Smith, C.A.

Kevin King, C.A.

AUDITOR'S REPORT

TO THE BOARD OF
AVALON WEST SCHOOL DISTRICT

We have audited the balance sheet of the Avalon West School District as at June 30, 1998 and the statement of revenue, expenditures and district equity and statement of changes in financial position for the year then ended. These financial statements are the responsibility of management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as, evaluating the overall financial statement presentation.

In our opinion these financial statements present fairly, in all material respects, the financial position of the District as at June 30, 1998 and the results of its operations and the changes in its capital financial position for the year then ended in accordance with generally accepted accounting principles as explained in note 1 to the financial statements, and are in compliance with reporting requirements established for School Districts in the Province of Newfoundland and Labrador by the Department of Education.

As required by section 17 of The Schools' Act, we report that bonding insurance is adequate for the employees covered.

The comparative figures were partially audited by another firm of Chartered Accountants as explained in note 9.

Spaniard's Bay, Newfoundland
November 17, 1998

Smith, King
CHARTERED ACCOUNTANTS

AVALON WEST SCHOOL DISTRICT
BALANCE SHEET
FOR THE YEAR ENDED JUNE 30,

	1998	1997
Assets		
Current		
Cash (Supp. Info. 1)	$ 25,224	$ 1,178,347
Short Term Investments (Supp. Info. 2)	500,000	102,847
Accounts Receivable (Note 2)	740,766	1,175,310
Prepaid Expenses (Supp. Info 3)	156,832	162,893
Total Current Assets	1,422,822	2,619,397
Property and Equipment (Sch.8)	73,372,435	72,179,012
	$ 74,795,257	$ 74,798,409
Liabilities and District Equity		
Current		
Current portion of Long-Term Debt (Sch.9)	$ 33,151	$ 187,220
Accounts Payable and Accrued (Note 4)	834,801	1,579,566
Total Current Liabilities	867,952	1,766,786
Accrued Severance Pay - Administration	617,654	586,625
Accrued Severance Pay - Teachers (Note 10)	9,904,335	10,154,684
Long-Term Debt (Schedule 9)		33,725
	10,521,989	10,775,034
District Equity		
Investment in Capital Assets (Note 6)	73,322,847	72,179,012
Reserve Account (Note 5)	30,662	325,000
District Deficit	(9,948,193)	(10,247,423)
Total District Equity	63,405,316	62,256,589
	$ 74,795,257	74,798,409

Approved:

Brendan White Chairperson

Gary Baker Secretary/Treasurer

AVALON WEST SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND DISTRICT EQUITY

FOR THE YEAR ENDED JUNE 30,	1998	1997
Current Revenues (Schedule 1)		
Provincial Government Grants	$ 59,769,612	$ 60,843,345
Donations	50	1,236
Ancillary Services	131	8,937
Miscellaneous	731,448	751,568
	60,501,241	61,605,086
Current Expenditures		
Administration (Schedule 2)	1,896,434	1,978,590
Instruction (Schedule 3)	48,274,862	49,684,138
Operations and Maintenance (Schedule 4)	5,180,024	5,098,231
Public Transportation (Schedule 5)	3,995,903	4,137,523
Ancillary Schedules (Schedule 6)	33,210	25,508
Interest Expense (Schedule 9C)	7,362	9,202
Miscellaneous Expense (Schedule 7)		
	59,387,795	60,933,192
Excess of Revenue over Expenditures	1,113,446	671,894
Transfer from (to) Capital	(1,108,554)	(777,900)
Net increase in District Deficit	$ 4,892	$ (106,006)

District Deficit, Beginning of Year before Change in Accounting Policy	$ (10,247,423)	$ (86,733)
Change in Accounting Policy - Note 10		(10,154,684)
District Deficit, beginning of Year as restated	(10,247,423)	(10,241,417)
Net increase in District Deficit	4,892	(106,006)
Less: Transferred from (to) Reserve Account	294,338	100,000
District Surplus (Deficit), End of Year	$ (9,948,193)	$ (10,247,423)

See Accompanying Notes

SMITH KING
CHARTERED ACCOUNTANTS

AVALON WEST SCHOOL DISTRICT
STATEMENT OF CHANGES IN CAPITAL FUND
FOR THE YEAR ENDED JUNE 30,

		1998	1997
70	**Capital Receipts**		
71	**Proceeds from Bank Loans**		
	011 - School Construction	$	$ 423,500
	012 - Equipment		
	013 - Service Vehicles		
	014 - Public Transportation		
			423,500
72	**Provincial Grants**		
	011 - School Construction and Equipment	299,500	1,541,792
73	**Donations**		
	011 - Cash Receipts		
	012 - Non-Cash Receipts		
	013 - Restricted Use	50	
		50	
74	**Sale of Capital Assets - Proceeds**		
	011 - Land		4,118
	012 - Buildings	16,692	34,195
	013 - Equipment	1,500	
	014 - Service Vehicles	710	
	015 - Public Transportation Vehicles		
		18,902	38,313
75	**Other Capital Revenues**		
	011 - Interest on Capital Fund Investments		
	012 - Premiums on Debentures		
	013 - Recoveries of Expenditures	6,402	20,776
	015 - Insurance Proceeds		
	016 - Native Peoples Grants		
	017 - Miscellaneous (Specify) : Parish Contributions		(79,796)
		6,402	(59,020)
	Total Capital Receipts	324,854	1,944,585
77	**Transfer from Reserve Account**	294,338	
78	**Transfer to / from Current Fund**	1,108,554	777,900
	Total	$ 1,727,746	$ 2,722,485

AVALON WEST SCHOOL DISTRICT
STATEMENT OF CHANGES IN CAPITAL FUND(CONT'D)
FOR THE YEAR ENDED JUNE 30,

		1998	1997
80	**Capital Disbursements**		
81	**Additions to Property and Equipment**		
	011 - Land and Sites	$ 52,885	$
	012 - Buildings	217,824	1,674,622
	013 - Furniture and Equipment - School	903,717	452,501
	014 - Furniture and Equipment - Other		90,307
	015 - Service Vehicle	21,658	
	016 - Pupil Transportation		
	017 - Other (Specify)		
		1,196,084	2,217,430
82	**Principal Repayment of Long Term debt**		
	011 - School Construction	220,945	202,576
	012 - Equipment		
	013 - Service Vehicle		
	014 - Other (Specify)		
		220,945	202,576
83	**Miscellaneous Disbursements**		
	013 - Other (Specify)		81,512
	Changes in		
	Cash	645,716	322,353
	Short Term Investment	(397,153)	(130,160)
	Receivable	209,767	(218,729)
	Bank Indebtedness	12,565	312,090
	Payables and Accruals	(160,178)	(64,587)
		310,717	302,479
	Total Capital Disbursements	$ 1,727,746	$ 2,722,485

SMITH KING
CHARTERED ACCOUNTANTS

1. Significant Accounting Policies

(a) Fund Accounting

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Districts. Fund accounting can be defined as "accounting procedures in which a self balancing group of accounts is provided for each fund". It is customary in School Districts to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the District, relating to their use of fund accounting is as follows:

a) Grants received by the District are recorded in either the current or capital funds revenues while those from the Educational Investment Corporation are recorded as capital revenues.

b) Capital asset additions are recorded at full cost in the capital fund.

c) The District does not calculate or record depreciation on any of its fixed assets.

d) Principal repayment of bank loans are recorded as Capital Expenditures.

e) Erection and equipment grants from the Educational Investment Corporation are recognized on the basis of capital grants actually awarded, and not on the basis of the capital projects approved by this Corporation.

f) In accordance with a directive issued by the Department of Education the annual excess of expenditures over receipts or receipts over expenditures in the capital fund is to be recovered / transferred, from / to the operating fund.

(b) Severance and vacation pay

The district follows the policy of accounting for vacation and severance pay on an accrual basis.

AVALON WEST SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30,

2. Accounts Receivable

			1998	1997
Current				
11	131	Provincial Government	$	$ 157,648
	132	Transportation	156,913	139,803
	133	Federal Government	19,731	75,764
	134	CEIC Claims	63,240	
	135	Other Provincial	143,264	
	136	Other School Boards		
	137	Rent		
	138	Interest		
	139	Travel Advances and Miscellaneous	125,742	
	140	Goods and Service Tax Rebate	214,933	396,678
	141	Expense Recoveries		178,707
Capital				
11	231	Provincial -Construction Grants	16,943	226,710
	233	Local Contributions		
	234	Other School Boards		
	235	Other (Specify)		
			$ 740,766	$ 1,175,310

3. Bank Indebtedness

			1998	1997
21	131	On Operating Costs	$	$
	132	On Capital Account		
			$	$

4. Accounts Payable and Accrued Liabilities

			1998	1997
Current				
21	111	Trade Payable	$ 499,881	$ 626,484
	112	Accrued - Liabilities	58,048	184,522
	113	- Interest		
	114	- Wages	89,970	78,654
	115	Payroll Deductions	27,964	66,586
	116	Retail Sales Tax		
	117	Deferred Grants	55,897	360,184
	118	Other (Specify) :		
		- Vacation Pay		
		- Schools		
		- Appropriated funds	86,583	86,500
	121	Other		
Capital				
21	211	Trade Payable	11,458	176,636
	212	Accrued - Liabilities	5,000	
		- Interest		
	217	Deferred Grants		
	218	Other (Specify) :		
			$ 834,801	$ 1,579,566

5. Reserve Account

Description:

Reserve of insurance receipts held for capital expenditure.

	1998	1997
Balance, Beginning of Year	$ 325,000	$ 425,000
Less: Transfer from Reserve	294,338	100,000
	30,662	325,000
Add: Transfer from Reserve		
Balance, End of Year	$ 30,662	$ 325,000

6. Investment in Capital Assets

	1998	1997
Investment in Capital Assets, Beginning of Year	$ 72,179,012	$ 71,709,995
Add:		
Transfer of Operating Funds to Capital Funds	1,108,554	283,201
Grants - Provincial Government Grants	9,977	113,837
Donations - (Specify)		
Proceeds from Sale of Capital Assets - Land		
- Building	16,692	34,195
- Equipment	1,500	
- Vehicle	710	
- Other		
Interest on Capital Fund Investments		
Recoveries of Expenditures	6,402	3,757
Insurance Proceeds - Capital		
Native Peoples Grants - Capital		
Miscellaneous (Specify)		
Parish contributions		
Local contributions		
	73,322,847	72,144,985
Deduct Adjustments:		
Cost of assets sold - Land		
- Building		34,027
- Equipment		
- Vehicles		
- Other		
		34,027
Transfer of investment funds from (to) Capital Reserve Account		
Other		
23 221 Investment in Capital Assets, End of Year	$ 73,322,847	$ 72,179,012

7. Commitments

At balance sheet date the District had the following commitments:

Sell the land in Cupids and the proceeds to be used in the Brigus / North River School System.

8. Comparative Figures

a) The comparative figures include a grouping of the audited financial statements for the periods July 1, 1996 to December 31, 1996 and January 1, 1997 to June 30, 1997.

b) The comparative amounts include the financial position for the six months ended December 31, 1996 for the Avalon North Integrated School Board, which was audited by another firm of Chartered Accountants, and the Western Avalon Roman Catholic School Board.

c) Certain of the Comparative figures have been regrouped to conform to current years presentation.

9. Uncertainty due to the Year 2000 issue

The Year 2000 issue arises because many computer systems use two digits rather than four to identify a year. Date sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

10. Change in Accounting Policy

During the year the Board accrued a liability for teachers' severance pay. Prior to 1998, the Board did not account for teachers' severance pay. The requirement to accrue this liability for teachers' severance pay has been prescribed by the Department of Education beginning with 1997 and 1998 fiscal years. The Department of Education funds these payments directly to the teachers. This accrual has decreased opening surplus of the Board by $10,154,684 and as a result the board is in a deficit position. The financial statements of June 30, 1997 presented for comparative purposes only, have not been restated to reflect this change in policy. A decrease in the liability of $250,349 for 1998 is recorded in the accounts as an operating recovery.

Schedule 1

AVALON WEST SCHOOL DISTRICT
CURRENT REVENUE
FOR THE YEAR ENDED JUNE 30,

		1998	**1997**
32	010 - **Provincial Government Grant**		
	011 - Regular Operating Grants	$ 9,319,903	$ 8,694,158
	016 - Special Grants (Details on bottom of Sch. 1)	490,997	794,780
	Salaries and Benefits		
	017 - Superintendent and Asst. Superintendents	398,142	450,883
	021 - Regular Teachers	42,271,268	44,051,215
	022 - Substitute Teachers	3,330,144	2,734,574
	030 - Pupil Transportation		
	031 - Board Owned		
	032 - Contracted	3,560,584	3,747,369
	033 - Handicapped	398,574	370,366
		59,769,612	60,843,345
33	010 - **Donations**		
	012 - Cash Receipts		
	013 - Non Cash Receipts		
	014 - Restricted Use	50	1,236
		50	1,236
34	010 - **Ancillary Service**		
	011 - Revenues from Rental of Residences		
	021 - Revenues from Rental of Schools and Facilities (Net)	131	8,937
	031 - Cafeterias		
	032 - Other (Specify)		
		131	8,937

AVALON WEST SCHOOL DISTRICT
CURRENT REVENUE (CON'D)
FOR THE YEAR ENDED JUNE 30,

		1998	1997
35	010 - **Miscellaneous**		
	011 - Interest on Investments	$ 43,807	$ 56,189
	012 - Bus Charters		
	021 - Recoveries of Expenditures	548,266	415,625
	031 - Revenue from Other School Board		17,508
	051 - Insurance proceeds		
	061 - Bilingual Education Revenue		
	071 - Operating Rev. from Native Peoples Grant		
	081 - Miscellaneous Federal Grants:		
	- Co-op Education		47,526
	- Human Resource Development Agreement		
	- Special Projects		
	091 - Textbooks	66,760	142,163
	092 - Sundry	72,615	72,557
		731,448	751,568
	Total Current Revenue	$ 60,501,241	$ 61,605,086
	Special Grants		
	French Monitor	$	$
	French Co-ordinator		
	French Immersion		24,000
	French Materials		7,200
	French Language	11,780	
	School Board Election Grant	153,912	
	Alternate Text		
	Textbook Credit Allocation		
	Other (Specify):		763,580
	Pupil Retention		
	Enterprise Ed		
	Transportation Adjustment		
	Non-gradedness in School Grant		
	Administration Grant	12,565	
	Computer Grant	297,500	
	Workforce Reduction	12,240	
	Tutoring Fund	3,000	
		$ 490,997	$ 794,780

Schedule 2

AVALON WEST SCHOOL DISTRICT
ADMINISTRATIVE EXPENDITURES
FOR THE YEAR ENDED JUNE 30,

		1998	1997
51	Salaries and Benefits		
	011 - Superintendents, Assistant Superintendents	$ 436,393	$ 526,918
	012 - Board Personnel	593,881	808,416
	013 - Office Supplies	82,476	62,016
	014 - Replacement Furniture and Equipment	40,983	6,876
	015 - Postage	13,937	14,056
	016 - Telephone	64,856	74,855
	017 - Office Equipment Rental and Repairs	33,314	33,145
	018 - Bank Charges	9,289	7,428
	019 - Electricity	37,423	37,362
	021 - Fuel	1,834	338
	022 - Insurance		1,692
	023 - Repairs and Maintenance (Office Building)	65,605	32,347
	024 - Travel	112,622	113,880
	025 - Board Meeting Expenses	38,497	38,681
	026 - Election Expense	69,366	
	027 - Professional Fees	112,795	65,935
	028 - Advertising	44,191	27,646
	029 - Membership Dues	55,523	49,412
	031 - Municipal Service Fees	3,280	3,696
	032 - Rental of Office Space		
	033 - Relocation Expense		
	034 - Miscellaneous	20,397	17,486
	035 - Payroll Tax	59,772	56,405
		$ 1,896,434	$ 1,978,590

Schedule 3

AVALON WEST SCHOOL DISTRICT
INSTRUCTION EXPENDITURES
FOR THE YEAR ENDED JUNE 30,

			1998	1997
52	010 - **Instructional Salaries (Gross)**			
	011 -Teachers' Salaries	- Regular	$ 36,471,933	$ 38,777,423
	012 -	- Substitute	2,923,822	2,186,392
	013 -	- Board Paid	15,075	31,955
		- Summer School	27,537	30,630
		- Student Assistant	726,550	
	014 - Severance (recovery) (Note 10)		(250,349)	
	015 - Employee Benefits		5,481,329	5,824,027
	016 - School Secretaries		690,412	693,955
	017 - Payroll Tax		788,276	631,802
	018 - Other - Co-operative Education		246,057	181,638
			47,120,642	48,357,822
52	040 - **Instructional Materials**			
	041 - General Supplies		145,678	134,972
	042 - Library Resource Materials		139,576	133,325
	043 - Teaching Aids		370,560	367,378
	044 - Textbooks		66,760	152,041
	045 - Other - Special and Regional Services		45,638	51,677
			768,212	839,393
52	060 - **Instructional Furniture and Equipment**			
	061 - Replacement		87,305	182,989
	062 - Rentals and Repairs		53,761	45,879
			141,066	228,868
52	**Instructional Staff Travel**			
	081 - Program Co-ordinators		97,571	104,571
	082 - Teachers' Travel		31,255	30,974
	083 - Inservice and Conferences		36,349	58,375
			165,175	193,920
52	090 - **Other Instructional Costs**			
	091 - Postage and Stationery		22,510	20,940
	092 - Miscellaneous (Special Projects)		57,257	43,195
			79,767	64,135
	Total Instruction Expenditures		$ 48,274,862	$ 49,684,138

Schedule 4

AVALON WEST SCHOOL DISTRICT
OPERATIONS AND MAINTENANCE

	FOR THE YEAR ENDED JUNE 30,	1998	1997
53	Salaries and Benefits	$ 2,174,655	$ 2,107,390
	013 - Payroll Tax	44,381	40,864
	014 - Electricity	1,411,894	1,441,985
	015 - Fuel	132,833	201,231
	016 - Municipal service Fees	40,854	34,485
	017 - Telephone	338,954	311,500
	018 - Vehicle Operation and Travel	42,200	48,670
	019 - Janitorial Supplies	184,911	152,461
	021 - Janitorial Equipment	13,744	12,184
	022 - Repairs and Maintenance		
	- Building	203,706	590,201
	- Equipment	387,545	922
	- Other	61,643	
	025 - Snow Clearing	79,374	131,572
	026 - Rentals		379
	027 - Other - Moving Expenses	63,330	24,387
		$ 5,180,024	$ 5,098,231

Schedule 5

AVALON WEST SCHOOL DISTRICT
PUPIL TRANSPORTATION EXPENDITURES
FOR THE YEAR ENDED JUNE 30,

		1998	1997
54	010 **Operation and Maintenance of Board Owned Fleet**		
	Salaries and Benefits		
	011 - Administration	$ 34,578	$ 8,839
	012 - Drivers and Mechanics		
	013 Payroll Tax		
	014 Debt Repayment - Interest		
	015 - Principal		
	016 Bank Charges		
	017 Gas and Oil		3,040
	018 Licenses		
	019 Insurance		
	021 Repairs and Maintenance		
	- Fleet		1,331
	- Building		
	023 Tires and Tubes		
	024 Heat and Light		
	025 Municipal Service		
	026 Snow Clearing		
	027 Office Supplies		
	028 Rent		
	029 Travel		
	031 Professional Fees		
	032 Miscellaneous	196	598
	033 Telephone		
	034 Vehicle Leases		
		34,774	13,808
	040 **Contracted Services**		
	041 Regular Transportation	3,562,555	3,753,350
	042 Handicapped	398,574	370,365
		3,961,129	4,123,715
	Pupil Transportation Expenditures	$ 3,995,903	$ 4,137,523

Schedule 6

AVALON WEST SCHOOL DISTRICT
ANCILLARY SERVICES AND MISCELLANEOUS EXPENSES
FOR THE YEAR ENDED JUNE 30,

Ancillary Services

The Board owns and operates the following ancillary services:

None

		1998	1997
55	**Ancillary Services**		
	011 - Operation of Teachers' Residences	$	$
	031 - Cafeterias		
	032 - Other (Specify)		
	- Vehicle operating	33,210	25,508
	- Freight and Delivery Expenses		
		$ 33,210	$ 25,508

Schedule 7

Miscellaneous Expense (Specify)

The Board has incurred the following miscellaneous expenses:

None

57 011 - Miscellaneous Expenses (Specify)

Schedule 8

AVALON WEST SCHOOL DISTRICT
DETAILS OF PROPERTY AND EQUIPMENT
FOR THE YEAR ENDED JUNE 30,

		Balance June 30,1997	Additions	Disposals	Balance June 30, 1998
12	**210 Land and Sites**				
	211 Land and Sites	$ 1,079,987	$ 52,885	$	$ 1,132,872
12	**220 Buildings**				
	221 Schools	59,932,522	178,796		60,111,318
	222 Administration	838,165	39,028		877,193
	223 Residential				
	224 Recreational				
	225 Other (Specify)				
		60,770,687	217,824		60,988,511
12	**230 Furniture and Equipment**				
	231 Schools	9,131,990	774,947	2,661	9,904,276
	232 Administration	1,132,215	128,770		1,260,985
	234 Recreational				
235 Other					
	Acc. Depreciation				
		10,264,205	903,717	2,661	11,165,261
12	**240 Vehicles**				
	241 Service Vehicles	64,133	21,658		85,791
	242 Other				
	- Accum. Depreciation				
		64,133	21,658		85,791
12	**250 Pupil Transportation**				
	251 Land				
	252 Building				
	253 Vehicles				
	-Buses				
	254 -Service				
	255 Equipment				
	256 Other				
	(Specify)				
12	**260 Misc. Capital Assets**				
	261 Other (Specify)				
	Total Property and Equipment	$ 72,179,012	$ 1,196,084	$ 2,661	$ 73,372,435

Schedule 9

AVALON WEST SCHOOL DISTRICT
DETAILS OF LONG-TERM DEBT
FOR THE YEAR ENDED JUNE 30,

Bank loans, mortgage and debentures, approved by the Board and the Government of Newfoundland & Labrador

		1998	1997
22	**210 Loans Other than Public Transportation**		
Ref.# 6013-521			
211	Bank loans		
	________ Repayable $________ monthly, maturing ________	$	$
	________ Repayable $________ monthly, maturing ________		
	________ Repayable $________ monthly, maturing ________		
	________ Repayable $________ monthly, maturing ________		
	________ Repayable $________ monthly, maturing ________		
	$423,500 Repayable $ 16,263 monthly, maturing Sept. 1998		
	Total 211	33,151	220,945
212	Mortgages		
	________ Repayable $________ monthly, maturing ________		
	________ Repayable $________ monthly, maturing ________		
	________ Repayable $________ monthly, maturing ________		
	________ Repayable $________ monthly, maturing ________		
	________ Repayable $________ monthly, maturing ________		
	________ Repayable $________ monthly, maturing ________		
	Total 212		
213	Debentures		
	________ Repayable $________ monthly, maturing ________		
	________ Repayable $________ monthly, maturing ________		
	Total 213		
214	Other (Please Specify)		
214	Less Current Maturities	33,151	187,220
	Total Loans Other Than Public Transportation	$	$ 33,725

AVALON WEST SCHOOL DISTRICT
DETAILS OF LONG-TERM DEBT(CONT.)
FOR THE YEAR ENDED JUNE 30,

		1998	1997
22	220 Loans - Public Transportation		
Ref.# 221			
	________Repayable $ ________monthly, maturing____________	$____________	$____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	Total 221		
222	Land, Buildings and Equipment Bank Loans		
	________Repayable $ ________monthly, maturing____________	____________	____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	________Repayable $ ________monthly, maturing____________	____________	____________
	Total 222		
	Subtotal		
223	Less Current Maturities	____________	____________
	Total Loans - Public Transportation	____________	____________
	Total Long Term Debt	$____________	$ 33,725

AVALON WEST SCHOOL DISTRICT
DETAILS OF LONG-TERM DEBT(CONT.)
FOR THE YEAR ENDED JUNE 30, 1998

Description	Ref. #	Rate	Balance Beginning of Year	Loans Obtained During Year	Principal Repayment For Year	Balance End of Year
A) School Construction	6013-521	Prime	$ 220,945		$ 220,945	$ 33,151
B) Equipment						
C) Service Vehicles						
D) Other						
E) Public Transportation						
Total Loans			$ 220,945	$	$ 220,945	$ 33,151

Schedule 9B

AVALON WEST SCHOOL DISTRICT
SUMMARY OF CURRENT MATURITIES
FOR THE YEAR ENDED JUNE 30, 1998

	1999	2000	2001	2002
	Year 1	Year 2	Year 3	Year 4
Description				
A) School Construction	$ 33,151			
B) Equipment				
C) Service Vehicles				
D) Other				
E) Public Transportation				
Total Loans	$ 33,151			

Schedule 9C

AVALON WEST SCHOOL DISTRICT
INTEREST EXPENSE
FOR THE YEAR ENDED JUNE 30,

	Description	1998	1997
012	Capital		
	School Construction	$ 7,362	$ 9,202
	Other (Specify)		
	Total Capital		
013	Current - Operating Loans		
014	- Supplier Interest Charges		
	Total Current		
	Total Interest Expense	$ 7,362	$ 9,202

AVALON WEST SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30,

		1998	1997
1	**Cash**		
	Current		
11	110 Cash on Hand and in Bank		
	111 Cash on Hand	$ 229	$ 200
	112 Bank - Current	(54,027)	1,206,843
	113 - Savings	9	33
	114 - Teachers' Payroll	48	(402)
	115 - Non Teachers' Payroll	(7,497)	(114,450)
	116 - Coupon (Debenture)		
	117 - Other - restricted Funds	86,462	86,123
	Capital		
111	210 Cash on Hand and in Bank		
	211 Cash on Hand		
	212 Bank - Current		
	213 - Savings		
	214 - Other (Specify)		
	Total Cash on Hand and in Bank	$ 25,224	$ 1,178,347
2	Short Term Investments		
	Current		
11	121 Term Deposits	$ 500,000	$ 102,847
	122 Canada Savings Bonds		
	23 Other (Specify)		
	Capital		
11	221 Term Deposits		
	222 Canada Savings Bonds		
	223 Other (Specify)		
	Total Short Term Investments	$ 500,000	$ 102,847

AVALON WEST SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30,

			1998	1997
3	**Prepaid Expenses**			
	Current			
11	141	Insurance	$ 4,752	$ 2,351
	142	Municipal Service Fees	29,210	19,824
	143	Supplies	54,986	67,900
	144	Other (Specify)	67,884	72,818
	Capital			
11	241	Other (Specify)		
			$ 156,832	$ 162,893

Baie Verte Central Connaigre School District #5

Financial Statements/Auditor's Report

June 30, 1998

Baie Verte Central Connaigre School District #5

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David S. Roberts
Chartered Accountant

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Auditor's Report

To The Members of the Board
Baie Verte Central Connaigre School District #5

I have audited the balance sheet of the current and capital funds of The Baie Verte Central Connaigre School District #5 as at June 30, 1998, and the related statements of current revenues, expenditures and Board equity, and statement of changes in capital fund position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 1998 and the results of its operations and changes in its capital financial position for the year then ended in accordance with generally accepted accounting principles and as explained in Note 1 to the financial statements, and are in compliance with reporting requirements established for School Boards in the Province of Newfoundland and Labrador by the Department of Education.

David S. Roberts

September 18, 1998

Baie Verte Central Connaigre School District #5

Balance Sheet

June 30, 1998

	1998	*1997*
Assets		
Current Assets		
Cash (Supp. Info. 1)	*$ 1,216,223*	*$ 1,756,065*
Short Term Investments (Supp. Info. 2)	*-*	*241,284*
Accounts Receivable (Note 2)	*243,085*	*343,373*
Prepaid Expenses (Supp. Info. 3)	*87,696*	*31,193*
Total Current Assets	*1,547,004*	*2,371,915*
Property and Equipment (Sch. 8)	*75,336,831*	*86,346,959*
	$ 76,883,835	*$ 88,718,874*
Liabilities and Board Equity		
Current Liabilities		
Bank Indebtedness (Note 3)	*$ -*	*$ -*
Accounts Payable and Accrued (Note 4)	*1,641,891*	*1,258,030*
Current Maturities (Schedule 9B)	*753,500*	*102,000*
Total Current Liabilities	*2,395,391*	*1,360,030*
Long-Term Debt (Schedule 9)	*-*	*102,000*
Accrued Teachers Severance	*9,874,938*	*-*
Board Equity		
Investment in Capital Assets (Note 6)	*74,563,505*	*85,998,741*
Reserve Account (Note 5)	*-*	*930,700*
Board Equity	*(9,949,999)*	*327,403*
Total Board Equity	*64,613,506*	*87,256,844*
	$ 76,883,835	*$ 88,718,874*

See Accompanying Notes

Approved: ____________________ ***Chairman***

____________________ ***Secretary***

Baie Verte Central Connaigre School District #5

Statement of Current Revenues, Expenditures and Board Equity

For The Year Ended June 30, 1998

	1998	1997
Current Revenue (Schedule 1)		
Provincial Government Grants	$ 53,393,810	$ 30,104,546
Donations	3,174	720
Ancillary Services	41,165	30,183
Miscellaneous	842,066	321,937
	54,280,215	30,457,386
Current Expenditures		
Administration (Schedule 2)	1,496,097	1,084,261
Instruction (Schedule 3)	44,422,831	23,548,752
Operations and Maintenance (Schedule 4)	5,737,316	2,644,685
Pupil Transportation (Schedule 5)	2,780,378	2,815,047
Ancillary Services (Schedule 6)	11,551	6,531
Interest Expense (Schedule 9C)	8,590	7,543
Miscellaneous Expense (Schedule 7)	-	-
	54,456,763	30,106,819
23 111 Excess of Expenditures over Revenue	(176,548)	350,567
Transfer (to) from Capital	(10,911)	(174,916)
Net Increase/Decrease in Board Equity	(187,459)	175,651
Board Equity, Beginning of Year	327,403	152,656
Prior period adjustment -		
Transportation grant 1996	-	(904)
Teachers Severance Accrual (Note 8)	(10,089,943)	-
Less Transferred (to) Reserve Account	-	-
Board (Deficit) Equity, End of Year	$(9,949,999)	$ 327,403

See Accompanying Notes

Baie Verte Central Connaigre School District #5

Statement of Changes in Capital Fund

For The Year Ended June 30, 1998

	1998	1997
70 Capital Receipts		
71 Proceeds from Bank Loans		
011- School Construction	$ 527,108	$ 163,540
012- Equipment	.	.
013- Service Vehicles	.	.
014- Pupil Transportation	.	.
015- Other (Specify)	.	.
	527,108	163,540
72 PROVINCIAL EDUCATION INVESTMENT CORPORATION		
011- School Construction and /Equipment	362,877	38,823
012- Other (Specify)	.	.
	362,877	38,823
73 Donations		
011- Cash Receipts	.	.
012- Non-Cash Receipts	.	.
013- Restricted Use	.	.
	.	.
74 Sale of Capital Assets - Proceeds		
011- Land	200	.
012- Buildings	.	75,000
013- Equipment	.	.
014- Service Vehicles	.	.
015- Pupil Transportation Vehicles	1,450	6,982
016- Other (Specify)	.	.
	1,650	81,982
75 Other Capital Revenues		
011- Interest on Capital Fund Investments	.	.
012- Premiums on Debentures	.	.
013- Recoveries of Expenditures	.	.
015- Insurance Proceeds	.	.
016- Native Peoples Grants	.	.
017- Miscellaneous - HRD Grant	.	.
Government of Newfoundland & Labrador Grant		
- Pupil Transportation	.	378,500
- Debt Reduction	.	547,471
- Computers	250,800	.
	250,800	925,971
Total Capital Receipts	1,142,435	1,210,316
77 Transfer from (to) Reserve Account	930,700	(378,500)
	2,073,135	831,816
78 Transfer from Current Fund	10,911	174,916
Total	$ 2,084,046	$ 1,006,732

See Accompanying Notes

David S. Roberts.
Chartered Accountant

Baie Verte Central Connaigre School District #5

Statement of Changes in Capital Fund (Cont'd)

For The Year Ended June 30, 1998

	1998	1997
80 **Capital Disbursements**		
81 **Additions to Property & Equipment**		
011- Land and Sites	$ -	$ -
012- Buildings	988,277	-
013- Furniture & Equipment - School	566,062	60,654
014- Furniture & Equipment - Other	49,074	124,576
015- Service Vehicles	-	86,681
016- Pupil Transportation	378,633	-
017- Other (Specify)	-	-
	1,982,046	271,911
82 **Principal Repayment of Long Term Debt**		
011- School Construction	102,000	734,821
012- Equipment	-	-
013- Service Vehicles	-	-
014- Other - Residential, etc	-	-
	102,000	734,821
83 **Miscellaneous Disbursements**		
013- Other (Specify)	-	-
Total Capital Disbursements	$ 2,084,046	$ 1,006,732

Baie Verte Central Connaigre School District #5

Notes To Financial Statements

For The Year Ended June 30, 1998

1. Significant Accounting Policies:

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self balancing group of accounts is provided for each fund". It is customary for School Boards to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the Board, relating to their use of fund accounting is as follows:

(a) Grants received by the Board are recorded in either the current or capital funds depending on their source.

(b) Fixed asset additions are recorded at full cost in the capital fund.

(c) The Board does not calculate or record depreciation on any of its fixed assets.

(d) Principal Repayment of Pupil Transportation Loans are recorded as Current Expenditures. All other principal repayment of bank loans are recorded as Capital Expenditures.

(e) The liability for severance pay of teachers and support staff is accrued in the accounts as the employee earns the the right to such benefits in accordance with union agreements.

2. Accounts Receivable

	1998	1997
Current		
11131 Provincial Government	$ 69,177	$ 99,608
132 Transportation	-	-
133 Federal Government	151,159	189,031
136 Other School Boards	3,750	-
137 Rent	-	1,000
139 Interest	-	-
139 Travel Advances and Misc.	18,999	14,911
Capital		
11231 Construction Grants	-	38,823
233 Local Contributions	-	-
234 Other School Boards	-	-
235 Other (Specify)	-	-
	$ 243,085	$ 343,373

3. Bank Indebtedness

	1998	1997
21131 On Operating Credit	-	-
132 On Capital Account	-	-
	-	-

Baie Verte Central Connaigre School District #5

Notes To The Financial Statements

For The Year Ended June 30, 1998

4. Accounts Payable and Accrued

	1998	1997
Current		
21111 Trade Payable	$ 401,700	$ 263,367
112 Accrued - Liabilities		
113 - Interest		
114 - Wages	703,872	680,517
115 Payroll Deductions	57,213	17,606
116 Retail Sales Tax	-	-
117 Deferred Grants	21,000	21,888
118 Other (Specify)	-	-
Capital		
21211 Trade Payable	458,106	1,002
212 Accrued - Liabilities	-	-
213 - Interest	-	-
217 Deferred Grants	-	273,650
218 Other (Specify)	-	-
	$ 1,641,891	$ 1,258,030

Baie Verte Central Connaigre School District #5

Notes To The Financial Statements

For The Year Ended June 30, 1998

5. Reserve Account

Description:
Represents estimated cost of major renovations and computer equipment for various schools and buses.

	1998	1997
Balance, Beginning of Year	$ 930,700	$ 552,200
Less: Transfer from Reserve	930,700	-
	-	552,200
Add: Transfer to Reserve	-	378,500
Balance, End of Year	$ -	$ 930,700

Baie Verte Central Connaigre School District #5

Notes To The Financial Statements

For The Year Ended June 30, 1998

	1998	1997
6. **Investment in Capital Assets, beginning of year**	$ 85,998,741	$ 86,010,239
Add:		
Pupil transportation principal loan payments	-	1,200,742
Transfer of Operating Funds to Capital Fund	10,911	174,916
Grants - Provincial Education Investment Corporation	362,877	38,823
- Other (Specify) Government of Newfoundland debt reduction grant	250,800	925,971
Donations - (Specify)	-	-
Proceeds from Sale of Capital Assets		
- Land	200	-
- Buildings	-	75,000
- Equipment	-	-
- Vehicles	1,450	6,982
- Other	-	-
Interest on Capital Fund Investments	-	-
Recoveries of Expenditures	-	-
Insurance Proceeds - Capital	-	-
Native Peoples Grants - Capital	-	-
Miscellaneous - HRD Grant	-	-
Transfer from reserve	930,700	-
	87,555,679	88,432,673
Deduct Adjustments:		
Transfer to reserve	-	378,500
Cost of assets sold - Land	-	-
- Buildings	12,905,163	1,887,746
- Equipment	-	-
- Vehicles	87,011	167,686
- Other	-	-
	12,992,174	2,433,932
Other - Transfer of Capital Funds to Operating Fund	-	-
23221 **Investment in Capital Assets, end of year**	$ 74,563,505	$ 85,998,741

Baie Verte Central Connaigre School District #5

Notes To The Financial Statements

For The Year Ended June 30, 1998

7. Commitments:

At balance sheet date the Board had the following commitments:

8. Other (Please specify)

1. During the year the Board accrued a liability for teachers severance pay. This liability was not previously recorded by the Board. Due to the change in accounting policy the liability relating to 1997 and prior years was recorded as a change to opening equity. The financial statements of June 30, 1997 presented from comparative purposes only, have not been restated to reflect the change in policy because the information necessary cannot be obtained on a timely basis. The change in the liability for the year is recorded in the accounts as an operating expense.

   The requirement to accrue the liability for teachers severance has been prescribed by the Department of Education. This accrual forced the Board into a deficit position. Under legislation deficits of the Board require written approval of the Minister of Education. As of the audit report date no such approval has been received, however, officials of the Department of Education indicate that approval will be forthcoming.

2. The comparative amounts presented are for the six months ended June 30, 1997.

3. Land and sites of the predecessor Pentecostal, Roman Catholic and Seven Day Adventist Boards on which buildings are erected remain vested in the respective churches of Newfoundland.

Schedule 1

Baie Verte Central Connaigre School District #5

Current Revenues

For The Year Ended June 30, 1998

Current Revenues

		1998	1997
32010	**Provincial Government Grants**		
011	Regular Operating Grants	✓ $ 8,188,808	$ 4,441,736
016	Special Grants (Details on bottom of Schedule 1)	343,289	218,761
	Salaries and Benefits		
017	- Director and Asst. Director	406,423	297,178
021	- Regular Teachers	39,937,580	21,820,570
022	- Substitute Teachers	1,205,403	718,685
023	- Student Assistants	✓ 611,814	-
030	Pupil Transportation		
031	- Board Owned	1,857,591	980,157
032	- Contracted	771,202	442,839
033	- Handicapped	71,700	53,620
034	- Other - debt retirement	-	1,131,000
		53,393,810	30,104,546
33010	**Donations**		
012	Cash receipts	-	-
013	Non Cash Receipts	-	-
014	Restricted Use	3,174	720
		3,174	720

Schedule 1 (Cont'd)

Baie Verte Central Connaigre School District #5

Current Revenues

For The Year Ended June 30, 1998

		1998	1997
34010	**Ancillary Services**		
011	Revenues from Rental of Residences	$ 9,250	$ 7,500
021	Revenues from Rental of Schools and Facilities (Net)	27,034	16,765
031	Cafeterias	4,881	5,918
032	Other (Specify)	-	-
		41,165	30,183
35010	**Miscellaneous**		
011	Interest on Investments	41,637	20,378
012	Bus Charters	34,396	17,052
021	Recoveries of Expenditures	157,044	13,175
031	Revenues from Other School Boards	16,500	-
051	Insurance Proceeds	1,825	1,869
061	Bilingual Education Revenue	-	19,800
071	Operating Rev. from Native Peoples Grant	-	-
081	Miscellaneous Federal Grants	490,487	218,098
091	Textbooks	86,958	15,536
092	Sundry	13,219	16,029
		842,066	321,937
	Total Current Revenues	$ 54,280,215	$ 30,457,386

Special Grants

	1998	1997
Other (Specify)		
- Reimbursement of subsidy payout	$ 32,169	$ 204,662
- Surplus of Board Executive Recruitment Committee	-	14,099
- Linkage Program	142,085	-
- Costs as a result of court ruling	✓ 57,601	-
- Election expenses	✓ 67,431	-
- French monitor	16,055	-
- French immersion	16,913	-
- Alternate Text	400	-
- 8% Administration	✓ 10,635	-
	$ 343,289	$ 218,761

Schedule 2

Baie Verte Central Connaigre School District #5

Administration Expenditures

For The Year Ended June 30, 1998

	1998	1997
51 Salaries and Benefits		
011 - Directors and Assistant Directors	$ 410,529	$ 303,614
012 - Board Office Personnel	517,401	406,373
013 Office Supplies	39,722	24,927
014 Replacement Furniture and Equipment	2,336	2,790
015 Postage	31,505	14,535
016 Telephone	61,248	25,393
017 Office Equipment Rentals and Repairs	48,578	18,467
018 Bank Charges	2,541	2,234
019 Electricity	39,595	29,607
021 Fuel	-	4,465
022 Insurance	153	180
023 Repairs and Maintenance (Office Building)	22,524	14,264
024 Travel	44,445	18,570
025 Board Meeting Expenses	37,044	27,962
026 Election Expenses	34,587	-
027 Professional Fees	15,508	6,013
028 Advertising	44,594	12,736
029 Membership Dues	41,034	19,713
031 Municipal Service Fees	2,994	4,022
032 Rental of Office Space	258	-
033 Relocation Expenses - Redundancy payout net of prior accruals	74,666	132,184
034 Miscellaneous	12,070	7,664
035 Payroll Tax	12,765	8,548
	$ 1,496,097	$ 1,084,261

Schedule 3

Baie Verte Central Connaigre School District #5

Instruction Expenditures

For The Year Ended June 30, 1998

		1998	1997
52010	**Instructional Salaries (Gross)**		
011	Teachers' Salaries - Regular	$ 39,243,926	$ 21,432,072
012	- Substitute	1,227,605	718,685
013	- Board Paid and Student Assistants	1,125,293	178,999
014	Augmentation	-	-
015	Employee Benefits	-	-
016	School Secretaries - Salaries and Benefits	703,475	405,204
017	Payroll Tax	705,709	394,411
018	Other (Specify) Teacher's Severance	(215,005)	-
		42,791,003	23,129,371
52040	**Instructional Materials**		
041	General Supplies	317,762	106,449
042	Library Resource Materials	112,497	40,600
043	Teaching Aids	444,454	70,433
044	Textbooks	85,868	6,527
		960,581	224,009
53060	**Instructional Furniture and Equipment**		
061	Replacement	89,678	6,597
062	Rentals and Repairs	51,613	29,970
		141,291	36,567
50080	**Instructional Staff Travel**		
081	Program Co-ordinators	98,974	20,198
082	Teachers' Travel	101,569	52,780
083	In service and Conferences	62,551	22,786
		263,094	95,764
52090	**Other Instructional Costs**		
091	Postage and Stationery	8,892	6,737
092	Miscellaneous	257,970	56,304
		266,862	63,041
	Total Instruction Expenditures	$ 44,422,831	$ 23,548,752

Schedule 4

Baie Verte Central Connaigre School District #5

Operations and Maintenance Expenditures - Schools

For The Year Ended June 30, 1998

		1998	1997
53011	Salaries and Benefits - Janitorial	$ 1,100,376	$ 633,490
012	- Maintenance	599,985	164,996
013	Payroll Tax	28,014	12,186
014	Electricity	1,557,794	805,199
015	Fuel	264,152	242,296
016	Municipal Service Fee	52,240	19,797
017	Telephone	298,085	109,662
018	Vehicle Operating and Travel	70,957	23,900
019	Janitorial Supplies	118,089	13,996
021	Janitorial Equipment	-	-
022	Repairs and Maintenance - Buildings	1,245,712	340,822
023	- Equipment	-	1,190
024	Contracted Services - Janitorial	296,796	200,100
025	Snow Clearing	105,039	77,051
026	Rentals	77	-
027	Other (Specify)	-	-
	Total Operations and Maintenance	$ 5,737,316	$ 2,644,685

Schedule 5

Baie Verte Central Connaigre School District #5

Pupil Transportation Expenditure

For The Year Ended June 30, 1998

		1998	1997
54010	**Operation and Maintenance of Board Owned Fleet**		
011	Salaries and Benefits		
	- Administration	$ 90,022	$ 29,681
012	- Drivers and Mechanics	1,294,880	786,881
013	Payroll Tax	25,291	13,386
014	Debt Repayment - Interest	-	21,043
015	- Principal	-	1,200,742
016	Bank Charges	-	-
017	Gas and Oil	210,632	124,030
018	Licenses	32,366	1,998
019	Insurance	28,184	14,178
021	Repairs and Maintenance - Fleet	177,735	102,169
022	- Building	9,361	1,735
023	Tires and Tubes	27,873	7,396
024	Heat and Light	15,838	14,123
025	Municipal Service	1,996	680
026	Snow Clearing	1,536	2,506
027	Office Supplies	3,538	766
028	Rent	-	-
029	Travel	9,918	5,593
031	Professional Fees	1,900	-
032	Miscellaneous	3,823	1,400
033	Telephone	7,367	3,660
034	Vehicle Lease	-	-
		1,942,260	2,331,967
54040	**Contracted Services**		
041	Regular Transportation	761,771	427,644
042	Handicapped	76,347	55,436
		838,118	483,080
	Pupil Transportation Expenditures	$ 2,780,378	$ 2,815,047

Schedule 6

Baie Verte Central Connaigre School District #5

Ancillary Services and Miscellaneous Expenses

For The Year Ended June 30, 1998

Ancillary Services

The Board owns and operates the following ancillary services:

		1998	1997
55 Ancillary Services			
011	Operation of Teachers Residences	$ 4,484	$ 1,309
031	Cafeterias	7,067	5,222
032	Other (Specify)	-	-
		$ 11,551	$ 6,531

Miscellaneous Expenses (Specify)

The Board has incurred the following miscellaneous expenses:

		1998	1997
57011	**Miscellaneous Expenses (Specify)**	-	-

Schedule 8

Baie Verte Central Connaigre School District #5

Details of Property and Equipment

For The Year Ended June 30, 1998

			Balance June 30, 1997	Additions	Disposal	Balance June 30, 1997
12	210	**Land and Sites**				
	211	Land and Sites	$ 1,037,977	$ -	$ -	$ 1,037,977
12	220	**Buildings**				
	221	Schools	70,700,110	988,277	14,187,004	57,501,383
	222	Administration	800,240	1,281,841	-	2,082,081
	223	Residential	-	-	-	-
	224	Recreational	-	-	-	-
	225	Other (Specify)	-	-	-	-
			71,500,350	2,270,118	14,187,004	59,583,464
12	230	**Furniture and Equipment**				
	231	Schools	9,127,352	566,062	-	9,693,414
	232	Administration	898,739	49,074	-	947,813
	233	Residential	-	-	-	-
	234	Recreational	-	-	-	-
	235	Other (Specify)	-	-	-	-
			10,026,091	615,136	-	10,641,227
12	240	**Vehicles**				
	241	Service vehicles	87,192	-	-	87,192
12	250	**Pupil Transportation**				
	251	Land	28,006	-	-	28,006
	252	Building	294,812	-	-	294,812
	253	Vehicles	-	-	-	-
		- Buses	3,274,149	378,633	87,011	3,565,771
	254	- Service				
	255	Equipment	-	-	-	-
	256	Other				
		(Specify)	-	-	-	-
			3,596,967	378,633	87,011	3,888,589
12	260	**Misc. Capital Assets**				
	261	Other - Library books	98,382	-	-	98,382
Total Property and Equipment			$ 86,346,959	$ 3,263,887	$ 14,274,015	$ 75,336,831

Schedule 9

Baie Verte Central Connaigre School District #5

Details of Long Term Debt

For The Year Ended June 30, 1998

		1998	1997
	Bank loans, mortgage and debentures, approved by the Board and the Government of Newfoundland and Labrador		
22 210	Loans Other than Pupil Transportation		
Ref. #			
211	**Bank Loans**		
	Repayable $ 8,500 monthly,maturing 1999	$ 102,000	$ 204,000
	Repayable $_____ monthly,maturing_____		
	Repayable $_____ monthly,maturing_____		
	Repayable $_____ monthly,maturing_____		
	Repayable $_____ monthly,maturing_____		
	Repayable $_____ monthly,maturing_____		
	Total 211	102,000	204,000
212	**Mortgages**		
	Repayable $_____ monthly,maturing_____		
	Repayable $_____ monthly,maturing_____		
	Repayable $_____ monthly,maturing_____		
	Repayable $_____ monthly,maturing_____		
	Repayable $_____ monthly,maturing_____		
	Repayable $_____ monthly,maturing_____		
	Total 212		
213	**Debentures**		
	Repayable $_____ monthly,maturing_____		
	Repayable $_____ monthly,maturing_____		
	Total 213		
214	Other (Please Specify) Temporary Loans - School Construction	651,500	-
	Subtotal	753,500	204,000
215	Less Current Maturities	753,500	102,000
	Total Loans Other Than Pupil Transportation	$ -	$ 102,000

Baie Verte Central Connaigre School District #5

Details of Long Term Debt

For The Year Ended June 30, 1998

22	220	Loans - Pupil Transportation		
		Ref. #		
	221	**Vehicle Bank Loans**		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Total 221		
	222	**Land, Buildings and Equipment Bank Loans**		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Repayable $_____ monthly,maturing_____		
		Total 222		
		Subtotal		
	223	Less Current Maturities		
		Total Loans - Pupil Transportation		
Total Long Term Debt			$ -	$ 102,000

Schedule 9A

Baie Verte Central Connaigre School District #5

Summary of Long Term Debt

For The Year Ended June 30, 1998

Description	Ref.#	Rate	Balance Beginning of Period	Loans Obtained During Period	Principal Repayment for Period	Balance End of Period
A) School Construction		Prime	$ 204,000	$ -	$ 102,000	$ 102,000
		Prime	-	651,500	-	651,500
B) Equipment						
C) Service Vehicles						
D) Other - Residences						
E) Pupil Transportation		Prime	-	-	-	-
Total Loans			$ 204,000	$ 651,500	$ 102,000	$ 753,500

Baie Verte Central Connaigre School District #5

Schedule of Current Maturities

For The Year Ended June 30, 1998

Description	Year 1	Year 2	Year 3	Year 4	Year 5
A) School Construction	$ 753,500				
B) Equipment					
C) Service Vehicles					
D) Other					
E) Pupil Transportation					
	$ 753,500				

Schedule 9C

Baie Verte Central Connaigre School District #5

Schedule of Interest Expense

For The Year Ended June 30, 1998

			1998	1997
56	010	**Description**		
	012	**Capital**		
		School Construction	$ 8,590	$ 7,543
		Equipment		
		Service Vehicles		
		Other (Specify)		
		Total Capital	8,590	7.543
	013	**Current** - Operating Loans		
	014	- Supplier Interest Charges		
		Total Current		
		Total Interest Expense	$ 8,590	$ 7,543

Baie Verte Central Connaigre School District #5

Supplementary Information

For The Year Ended June 30, 1998

1. Cash

		1998	1997
	Current		
11110	Cash on Hand and in Bank		
111	Cash on Hand	$ 25	$ 100
112	Bank - Current	1,110,439	1,527,715
113	- Savings	9,387	9,231
114	- Teachers' Payroll	98,987	73,755
115	- Non Teachers' Payroll	(2,615)	145,264
116	- Coupon (Debenture)	-	-
117	- Other (Specify)	-	-
	Capital		
11210	Cash on Hand and in Bank	-	-
211	Cash on Hand	-	-
212	Bank - Current	-	-
213	- Savings	-	-
214	- Other (Specify)	-	-
	Total Cash on Hand and in Bank	$ 1,216,223	$ 1,756,065

2. Short Term Investments

		1998	1997
	Current		
11121	Term Deposits		
122	Canada Savings Bonds		
123	Other (Specify) Bankers Acceptance	$ -	$ 241,284
	Capital		
11221	Term Deposits		
222	Canada Savings Bonds		
223	Other (Specify)		
	Total Short Term Investments	$ -	$ 241,284

		1998	1997
3.	**Prepaid Expenses**		
	Current		
11141	Insurance	$ 5,047	$ 4,726
142	Municipal Service Fees	24,266	26,467
143	Supplies		
144	Other (Specify) - Worker's Compensation	47,821	-
	- Bus licenses	10,562	-
	Capital		
11241	Other (Specify)		
		$ 87,696	$ 31,193

BOARD OF COMMISSIONERS
OF PUBLIC UTILITIES

FINANCIAL STATEMENTS

March 31, 1999

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES

March 31, 1999

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Morrissey & Company
CHARTERED ACCOUNTANTS

Suite 202
The Wedgwood Building
85 Thorburn Road
P.O. Box 28033
St. John's, NF A1B 4J8
Tel: (709) 739-0875
Fax: (709) 722-0728

AUDITORS' REPORT

To the Members of the Board of Commissioners of Public Utilities:

We have audited the balance sheet of the **BOARD OF COMMISSIONERS OF PUBLIC UTILITIES** as at March 31, 1999 and the statements of revenue, expenditure and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Morrissey & Company

Chartered Accountants

St. John's, Newfoundland
May 7, 1999

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
BALANCE SHEET

As At March 31,	1999	1998
ASSETS		
Current		
Cash	$ 210,769	$ 320,162
Accounts receivable	90,951	53,738
Hearing costs recoverable (Notes 2 and 3)	38,007	198,609
Prepaid expenses	18,348	21,130
	358,075	593,639
Designated pension funds (Note 4)	699,878	738,018
	$ 1,057,953	$ 1,331,657
LIABILITIES		
Current		
Accounts payable and accruals	$ 77,028	$ 378,378
Accrued vacation pay	109,379	95,328
	186,407	473,706
Accrued severance pay	124,070	101,179
Pension obligations (Note 4)	435,000	370,555
	745,477	945,440
EQUITY		
Surplus	312,476	386,217
	$ 1,057,953	$ 1,331,657

On behalf of the Board:

Chairperson and CEO

Vice-Chairperson

See Accompanying Notes

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

Year Ended March 31,	1999	1998
Revenue		
Assessments	$ 1,312,626	$ 1,024,033
Pension income (Note 4)	27,305	25,331
Hearings	17,250	1,750
Interest	16,438	1,672
Miscellaneous	406	590
	1,374,025	1,053,376
Expenditure		
Advertising and notices	7,398	10,379
Furniture and equipment	28,092	64,816
Insurance	1,402	985
Leasehold improvements	29,626	75,991
Memberships and registration	19,579	18,318
Office supplies and printing	33,521	28,371
Pension obligations estimation adjustment (Note 4)	129,890	-
Postage and courier	4,649	3,489
Professional fees	216,088	322,463
Rent	126,001	140,081
Salaries and associated costs	772,258	599,815
Strategic planning	11,283	13,866
Telephone	24,863	16,407
Transcription	2,450	2,938
Travel	40,666	41,819
	1,447,766	1,339,738
Excess of expenditure over revenue	(73,741)	(286,362)
Surplus as at beginning of year	386,217	672,579
Surplus as at end of year	$ 312,476	$ 386,217

BOARD OF COMMISSIONERS OF PUBLIC UTILITIES
STATEMENT OF CASH FLOWS

Year Ended March 31,	1999	1998
Operating activities		
Excess of expenditure over revenue	$ (73,741)	$ (286,362)
Changes in non-cash working capital balances		
Increase in accounts receivable	(37,213)	(24,450)
Decrease in hearing costs recoverable	160,602	141,230
Decrease (increase) in prepaid expenses	2,782	(19,828)
(Decrease) increase in accounts payable and accruals	(301,350)	151,216
Increase in accrued vacation pay	14,051	23,415
Increase in accrued severance pay	22,891	16,681
Cash flows (used in) from operating activities	(211,978)	1,902
Investing activities		
Decrease in designated pension funds	38,140	40,114
Increase (decrease) in pension obligations	64,445	(65,445)
Cash flows from (used in) investing activities	102,585	(25,331)
Decrease in cash resources during the year	(109,393)	(23,429)
Cash position as at beginning of year	320,162	343,591
Cash position as at end of year	$ 210,769	$ 320,162

Year Ended March 31, 1999

1. Authority

The Board of Commissioners of Public Utilities is an independent, quasi-judicial regulatory agency constituted by the Lieutenant-Governor in Council pursuant to the *Public Utilities Act*. The Board is responsible for the regulation of electric utilities in the Province to ensure that rates charged are just and reasonable and that the service provided is safe and secure. Other responsibilities include the setting and regulation of the rates for automobile insurance, as well as limited regulation of the motor carrier industry in relation to certain passenger and ambulance operations.

2. Summary of significant accounting policies

These financial statements have, in all material respects, been prepared in accordance with generally accepted accounting principles, the more significant of which are set out below:

(a) Operating revenue and expenditure

Operating revenue and expenditure are accounted for on the accrual basis. The Board estimates expenses annually which are assessed upon and borne by regulated concerns.

(b) Hearing costs recoverable

Recoverable expenses relating to specific public utility enquiries held by the Board are accrued in hearing costs recoverable accounts until the Board orders payment. These reimbursements and related underlying expenses are not included as operating revenue and expenditure of the Board.

(c) Capital assets

The Board follows a policy of writing off all capital assets to expenditure in the year of acquisition. The Board is in the process of compiling information on capital assets for future financial statement reporting purposes in accordance with public sector accounting recommendations of the Canadian Institute of Chartered Accountants.

(d) Severance Pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continual service. No provision for severance pay is made in the accounts for employees with less than nine years of continual service. Severance pay for eligible employees is payable when the employee ceases employment with the Board.

3. Hearing costs recoverable

	1999	1998
Hearing costs recoverable - beginning of year	$ 198,609	$ 339,839
Add - specific enquiry costs incurred during the year		
Professional fees	407,893	102,650
Consumer Advocate	410,846	-
Transcription and printing	37,864	3,396
Salaries	71,513	10,853
Other	44,678	21,494
	972,794	138,393
	1,171,403	478,232
Less - costs recovered during the year	1,133,396	279,623
Hearing costs recoverable - end of year	$ 38,007	$ 198,609

4. Pension Plan

The Board maintains a defined benefit pension plan for two former commissioners. Other commissioners and employees of the Board are members of the public service pension plan.

Designated pension funds of $699,878 (1998 - $738,018) consist of investments maintained in an account with the Royal Trust Corporation of Canada and are valued at market value.

Changes in designated pension funds are as follows:

	1999	1998
Balance, beginning of year	$ 738,018	$ 778,132
Add, earnings net of expenses	27,305	25,331
	765,323	803,463
Deduct, benefit payments	65,445	65,445
Balance, end of year	$ 699,878	$ 738,018

Pension obligations of $435,000 at March 31, 1999 represent the present value of accrued pension benefits as at that date, as calculated in an actuarial report dated May 28, 1997 and updated April 27, 1999. The update indicates that a pension obligations estimation adjustment was required as at March 31, 1999 due to changes in actuarial assumptions reflecting lower projected interest rates. The estimation adjustment of $129,890 is included in expenditure in the 1999 fiscal year.

5. Income taxes

The Board is a Crown entity of the Province of Newfoundland and as such is not subject to provincial or federal income taxes.

6. Commitment

The Board entered into a five year lease agreement for rental of office space in the amount of $10,345 per month ($124,140 per annum) commencing May 1998.

7. Comparative figures

Certain of the 1998 comparative figures have been reclassified to conform to the financial statement presentation adopted for 1999.

8. Year 2000 readiness

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved. The Board is confident that it is taking all necessary precautions, within its control, to ensure that possible Year 2000 problems will not adversely affect the Board's operations.

BULL ARM SITE CORPORATION

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Board of Directors
Bull Arm Site Corporation
St. John's, Newfoundland

I have audited the balance sheet of the Bull Arm Site Corporation as at 31 March 1999 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
8 June 1999

BULL ARM SITE CORPORATION

BALANCE SHEET

31 MARCH 1999

	1999	1998
ASSETS		
Current		
Cash	$4,309,809	$1,692,585
Due from the Offshore Development Fund (Note 2)	13,772	55,181
Accounts receivable	20,630	31,729
Prepaid expense	1,728	1,943
	4,345,939	1,781,438
Investment property (Note 1(a) & Note 3)	1	1
Capital assets (Note 4)	9,761	8,081
	$4,355,701	$1,789,520
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	$ 72,305	$ 42,678
Distribution payable to the Province of Newfoundland (Note 5)	4,279,104	1,740,713
Deferred capital contributions (Note 6)	4,288	6,125
	4,355,697	1,789,516
Shareholders' Equity		
Share capital		
Authorized		
100 common shares of no par value		
Issued		
3 common shares	3	3
Investment property (Note 1(a))	1	1
	4	4
	$4,355,701	$1,789,520

See accompanying notes

Signed on behalf of the Board:

Bruce R Hollett
Chairperson

R Gordon Gosse
President and Chief Executive Officer

BULL ARM SITE CORPORATION

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
REVENUE		
Proceeds from disposal of investment property	$2,782,675	$1,994,058
Province of Newfoundland		
Offshore Development Fund (Note 2)	69,207	187,442
Adjustment to prior years' claims (Note 2)	(72,562)	-
Amortization of deferred capital contributions	1,837	2,625
Interest	192,476	47,232
	2,973,633	2,231,357
EXPENDITURE		
Advertising	25,227	45,160
Amortization	4,184	3,463
Auction fees	-	93,087
Commissions	-	31,955
Computer software	819	-
Courier	-	2,118
Insurance	2,211	2,092
Maintenance	64,560	99,239
Membership fees	2,273	711
Miscellaneous	512	384
Professional fees - Accounting	15,120	28,825
Professional fees - Legal	38,808	1,151
Professional fees - Other	15,648	-
Salaries and employee benefits	209,174	218,689
Supplies	3,735	6,992
Telephone	5,991	5,831
Travel and entertainment	39,670	45,533
Vehicle	7,310	11,550
	435,242	596,780
Excess of revenue over expenditure for distribution to the Province of Newfoundland (Note 5)	$2,538,391	$1,634,577

See accompanying notes

BULL ARM SITE CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

The Bull Arm Site Corporation was incorporated by the Province of Newfoundland on 15 September 1995 under the Corporations Act. All shares of the Corporation are held by Ministers of the Crown on behalf of the Province. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

An agreement between the Province and the parties involved in the Hibernia project provides for the transfer of assets, known as investment property, at the Bull Arm Site to the Province. Investment property is defined in the agreement to include buildings, fixed equipment, living and recreational facilities, drydock, wharves, vehicles and other assets. The purpose of the Corporation is to receive and administer these assets at the Bull Arm Site. Investment property that is surplus to the future needs of the Corporation is either transferred for nil proceeds to the Province for its use or, if not required by the Province, is disposed of to third parties.

1. Significant accounting policies

These financial statements have been prepared by the Corporation in accordance with generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Investment property

Management of the Corporation has determined that it is not practicable to determine the fair market value of the investment property with sufficient reliability and thus investment property is recorded at a nominal value of $1. Any costs associated with obtaining the investment property are expensed as incurred.

(b) Capital assets

Capital assets are capitalized at cost at the time of acquisition. Capital assets include investment property which is retained by the Corporation for its own use, such as vehicles, and for which a fair value can be reasonably estimated. Amortization is calculated using the methods described below based on the expected future life of the asset as follows:

Vehicle	30% declining balance
Computer equipment	30% declining balance

As disclosed in Note 6, certain capital assets received from the Hibernia Management Development Corporation are recorded as deferred capital contributions. These capital contributions are amortized into revenue on the same basis that amortization is recorded on the related asset.

2. Offshore Development Fund

An amount of $750,000 has been approved under the Offshore Development Fund to support a major international campaign to market the future use of the Bull Arm Site. This fund is cost shared 75%, 25% by the Federal and Provincial governments respectively. During the year, the Corporation recorded revenue of $69,207 (1998-$187,442) which represents claims under the Fund for eligible expenditures incurred to date for this campaign. In addition, there was an offsetting adjustment of $72,562, in relation to claims of prior years.

3. Investment property

In March 1998, the Corporation accepted all remaining investment property from the Hibernia Management Development Corporation. In addition, effective 2 March 1998, the Corporation, on behalf of the Province of Newfoundland, entered into an agreement to lease the Bull Arm Site to PCL Industrial Contractors Inc. for a period of 34 months for $1 per year. Under the agreement, PCL Industrial Contractors Inc. is to pay all costs related to the maintenance and operation of the Site.

During the year, the Corporation transferred seven trailers and a pedestal crane to the Memorial University of Newfoundland for the amount of $1.

In addition, the Corporation transferred ten, one hundred person, dormitory units and contents to the 1999 Corner Brook Canada Winter Games Host Society Inc. for the amount of $1.

4. Capital assets

	1999			1998
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Vehicle	$10,000	$ 5,712	$4,288	$ 6,125
Computer equipment	9,858	4,385	5,473	1,956
	$19,858	$10,097	$9,761	$ 8,081

5. Distribution payable to the Province of Newfoundland

The Minister of Finance is authorized to invest, as determined appropriate, any surplus from operations. Surpluses from operations are to be paid into the Consolidated Revenue Fund of the Province of Newfoundland but there are no set terms of repayment. The change in the distribution payable to the Province of Newfoundland for the year is as follows:

	1999	1998
Balance, beginning of year	$1,740,713	$ 106,136
Add: excess of revenue over expenditure for distribution to the Province of Newfoundland	2,538,391	1,634,577
Balance, end of year	$4,279,104	$1,740,713

6. Deferred capital contributions

Deferred capital contributions represents the cumulation of investment property, such as vehicles, that has been retained by the Corporation for its own use. Additions to deferred capital contributions are amortized into revenue on the same basis that amortization is recorded on the related asset. The change in deferred capital contributions for the year is as follows:

	1999	1998
Balance, beginning of year	$6,125	$8,750
Less: amortized into revenue during year	1,837	2,625
Balance, end of year	$4,288	$6,125

7. Related party transactions

The Province of Newfoundland has provided office space, office equipment and furnishings, and legal services at no cost to the Corporation. These contributions are not reflected in these financial statements. Salaries and benefits for employees of the Corporation are paid directly by the Province of Newfoundland and the Province of Newfoundland is reimbursed by the Corporation.

8. Financial instruments

The Corporation's financial instruments recognized in the Balance Sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities, the carrying values of which approximate fair value due to the short-term maturity associated with these instruments.

BULL ARM SITE CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

9. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

10. Uncertainty due to Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or third parties, will be fully resolved.

C.A. PIPPY PARK COMMISSION
FINANCIAL STATEMENTS
31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Board of Commissioners
C.A. Pippy Park Commission
St. John's, Newfoundland

I have audited the balance sheet of the C.A. Pippy Park Commission as at 31 March 1999 and the statements of revenue, expenditure and surplus and cash flows for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 1999 and the results of its operations and its cash flows for the year then ended in accordance with generally accepted accounting principles.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
18 June 1999

C.A. PIPPY PARK COMMISSION

BALANCE SHEET

31 MARCH 1999

	1999	1998
ASSETS		
Current		
Cash	$430,866	$237,753
Accounts receivable (Note 2)	133,493	317,801
Prepaid expenses	12,315	10,467
Prepaid supplies	7,333	7,150
Merchandise inventory - at the lower of cost and net realizable value	10,626	8,779
	594,633	581,950
Capital assets (Note 3)	49,762	48,913
	$644,395	$630,863
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 49,476	$ 37,725
Deferred revenue	6,369	50,574
Obligations under capital lease - current portion (Note 4)	8,993	4,438
	64,838	92,737
Obligations under capital lease (Note 4)	2,452	2,886
Accrued severance pay	95,388	92,074
	162,678	187,697
Equity		
Unexpended capital funds	407,383	366,764
Surplus	74,334	76,402
	481,717	443,166
	$644,395	$630,863

See accompanying notes

Signed on behalf of the Board: Warren, **Chairperson** C. McDonald, **Member**

C.A. PIPPY PARK COMMISSION

STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

FOR THE YEAR ENDED 31 MARCH 1999

	1999 Actual	1999 Budget	1998 Actual
REVENUE			
Province of Newfoundland Operating grant (Note 5)	$174,000	$100,000	$200,000
Trailer park	177,103	144,000	180,131
Services	150,179	144,000	130,442
Rental	129,643	118,500	125,703
Income from other revenue producing activities (Note 6)	112,446	109,000	102,954
Golf course management fee (Note 7)	100,000	100,000	50,000
Interest	23,144	6,500	10,614
Professional fees	16,000	12,000	12,000
Miscellaneous	6,074	200	2,602
	888,589	734,200	814,446
EXPENDITURE			
Advertising and promotion	9,042	9,800	10,098
Amortization	9,652	-	7,824
Bad debts	6,748	-	-
Building maintenance	38,550	37,400	39,390
Donation	4,650	-	4,500
Equipment maintenance	27,550	21,000	18,982
Heat, light and telephone	50,220	53,500	51,563
Honoraria	5,460	10,000	4,270
Insurance	15,542	16,200	11,751
Interest on capital lease obligation	2,615	-	1,604
Miscellaneous	10,683	11,800	12,733
Office	4,819	5,500	7,782
Professional fees	7,408	14,100	14,042
Salaries and employee benefits	663,993	572,058	587,226
Supplies	30,530	27,000	34,188
Travel	3,195	2,300	2,832
	890,657	780,658	808,785
Excess of (expenditure over revenue) revenue over expenditure	(2,068)	(46,458)	5,661
Surplus, beginning of year	76,402	76,402	70,741
Surplus, end of year	$ 74,334	$ 29,944	$ 76,402

See accompanying notes

C.A. PIPPY PARK COMMISSION

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
Cash flows from operating activities		
Excess of (expenditure over revenue) revenue over expenditure	$ (2,068)	$ 5,661
Adjustments for non-cash items		
Amortization	9,652	7,824
	7,584	13,485
Change in non-cash working capital	147,976	(30,342)
Change in accrued severance pay	3,314	(3,456)
	158,874	(20,313)
Cash flows used in investing activities		
Additions to capital assets	(169,882)	(548,494)
Cash flows from financing activities		
Capital grants	200,000	598,000
Proceeds from lease obligation	10,500	10,533
Repayment of lease obligation	(6,379)	(3,209)
	204,121	605,324
Net increase in cash	193,113	36,517
Cash at beginning of year	237,753	201,236
Cash at end of year	$ 430,866	$ 237,753

See accompanying notes

C.A. PIPPY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

The C.A. Pippy Park Commission (the Commission) was incorporated in 1968 and operates under authority of the Pippy Park Commission Act. The purpose of the Commission is to provide a park-like setting to house the headquarters of the Provincial Government, as well as various government, cultural, educational facilities and Memorial University of Newfoundland. Its affairs are managed by a Board of Commissioners the majority of which are appointed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Commission in accordance with generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. Outlined below are the significant accounting policies followed.

(a) Capital assets

(i) All capital assets are capitalized at cost at the time of acquisition. Government assistance towards the acquisition of capital assets is deducted from the related capital asset cost with any amortization calculated on the net amount. Amortization is calculated using the declining balance method based on the expected future life of all assets as follows:

Furniture, equipment and vehicles	30%
Recreation centres	10%
Buildings	10%
Park Improvements	10%

(ii) Capital assets are financed primarily through capital grants from the Province of Newfoundland. The expended portion of these grants is deducted from capital assets on the balance sheet. The unexpended portion is reported in the equity section on the balance sheet.

(iii) The cost of building acquisitions is included with land where the primary reason for purchasing the properties is to acquire the land. Where the Commission intends to maintain the buildings for Park use, cost is allocated between land and buildings.

1. Significant accounting policies (cont.)

(b) Severance pay

Severance pay is calculated based upon years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continual service, and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. The amount is payable when the employee ceases employment in the public service. If the employee transfers to another entity included in the public service, then the liability is transferred with the employee to the other entity.

(c) Deferred revenue

Deferred revenue represents revenue relating to future operating periods. The revenue will be reported in the applicable future period to which it relates.

2. Accounts receivable

	1999	1998
Province of Newfoundland	$106,000	$288,000
Trade	23,401	23,728
Harmonized sales tax, accrued interest and other	9,347	12,072
	138,748	323,800
Less: allowance for doubtful accounts	5,255	5,999
	$133,493	$317,801

C.A. PIPPY PARK COMMISSION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

3. Capital assets

	1999				1998
	Cost	Capital Grants	Accumulated Amortization	Net Book Value	Net Book Value
Land (Note 3 (a))					
Park	$ 7,354,876	$ 7,354,876	$ -	$ -	$ -
Golf course (Note 7)	1,809,696	1,809,696	-	-	-
	9,164,572	9,164,572	-	-	-
Furniture, equipment and vehicles					
Office furniture and equipment	43,135	28,270	14,865	-	58
Furniture and equipment -					
19th Hole Lounge	13,645	13,645	-	-	-
North Bank Lodge	15,540	15,540	-	-	-
Trailer park	2,785	2,785	-	-	-
Equipment	115,642	95,849	19,793	-	93
Vehicles	95,110	95,110	-	-	-
Equipment under capital lease - 19th Hole Lounge	21,033	-	8,522	12,511	7,373
	306,890	251,199	43,180	12,511	7,524
Recreation centres					
19th Hole Lounge	124,769	79,000	38,872	6,897	7,663
North Bank Lodge	47,709	38,132	7,850	1,727	1,918
Admiral's Quarters	5,424	5,424	-	-	-
	177,902	122,556	46,722	8,624	9,581
Buildings					
Trailer park service buildings	351,013	351,013	-	-	-
Headquarters	81,162	81,162	-	-	-
Mercer Animal Farm	177,881	98,138	65,667	14,076	15,640
Mechanic shop	44,172	16,969	22,812	4,391	4,879
Greenhouses	56,539	56,539	-	-	-
Registration offices	55,650	51,738	3,016	896	995
	766,417	655,559	91,495	19,363	21,514
Other assets					
Park improvements	942,580	900,621	32,695	9,264	10,294
	$11,358,361	$11,094,507	$214,092	$49,762	$48,913

3. Capital assets (cont.)

(a) Capital assets not included in financial statements

Land purchased directly by the Provincial Government and forming part of C.A. Pippy Park is not recorded in these financial statements. The land recorded in these financial statements represents land purchased directly by the Commission from capital grants.

(b) Title to Commission property

The Pippy Park Commission Act states in Section 10(4) that the title to property of the Commission shall be vested in the name of the Minister, for the Crown. In most cases, land acquired by the Commission is registered in the name of the Minister of Works, Services and Transportation. All land acquired directly by the Provincial Government for C.A. Pippy Park is registered in the name of the Minister of Works, Services and Transportation.

4. Obligations under capital lease

	1999	1998
Obligations under capital lease	$11,445	$7,324
Less: current portion	8,993	4,438
	$ 2,452	$2,886

Future minimum lease payments under capital lease are:

2000	$ 8,993
2001	3,767
	12,760
Less: interest portion of payments	1,315
	$11,445

The minimum lease payments due under capital leases are secured by equipment having a net book value of $12,511.

5. Related party transactions

Province of Newfoundland

(a) During the year, the Commission recorded $174,000 (1998 - $200,000) in operating grants and $200,000 (1998 - $598,000) in capital grants from the Province.

(b) Services and rental revenue include a significant volume of transactions with the Province as a result of ongoing contracts.

6. Income from other revenue producing activities

	1999 Actual	1999 Budget	1998 Actual
19th Hole Lounge	$145,769	$120,000	$111,570
Admiral's Quarters	76,887	70,000	73,520
North Bank Lodge	22,244	28,000	30,499
	244,900	218,000	215,589
Less: cost of goods sold	132,454	109,000	112,635
	$112,446	$109,000	$102,954

7. Golf course

In August 1989, the Province of Newfoundland (the Province) and the Commission entered into a lease agreement with Thomas Development (1989) Corporation (the Corporation) wherein the Province provided land, previously purchased by the Commission and included within the boundaries of C.A. Pippy Park, and the Corporation agreed to construct an 18 hole golf course along with an access road thereto. The lease had an initial term of ten years and provided for a maximum of three five-year extensions for a total of twenty-five years.

The Corporation surrendered the lease on 20 November 1997 and entered into a Management Agreement with the Commission which has a term from 20 November 1997 to 31 December 2004. The Agreement is for the management and operation of both the 9 hole and 18 hole golf courses.

7. Golf course (cont.)

Under the terms of the Agreement, the Corporation is required to pay the following fixed management fees to the Commission: 1997 - $50,000; 1998 - $100,000; 1999 - $150,000; 2000 - $200,000; and for each of 2001 to 2004 - $250,000. The Corporation is required to set aside each year, as an Expansion and Betterment Fund, its adjusted net income in excess of the payments made to the Commission. During the term of the Agreement the Corporation may use the excess of its adjusted net income to prepay its debt, as defined in the Agreement, instead of contributing to the Fund.

In addition, the terms of the Agreement require the Corporation to construct a clubhouse on or before the expiration of the calendar year 2000. Under the agreement the clubhouse is to be operated and managed exclusively by the Commission or its agent and the revenues from the clubhouse, exclusive of those from the pro shop, will be the sole property of the Commission. If the Commission chooses to exercise its right to operate the clubhouse through a third party, the Corporation will have a right of first refusal to operate and manage the clubhouse. The clubhouse was opened during 1997 and is currently being operated by the Commission.

8. Pensions

The Commission and its staff are subject to the Public Service Pensions Act. Employee contributions are matched by the Commission and then remitted to the Province of Newfoundland Pooled Pension Fund from which pensions will be paid to employees when they retire. The Commission's share of pension contributions for 1999 was $22,779 (1998 - $20,992).

9. Contingent liability

A Statement of Claim has been served on the Commission by the Registrar of the Supreme Court of Newfoundland. The Statement of Claim results from the failure of the Commission to purchase a parcel of land which is included within the boundaries of the Park or to release this parcel of land for sale to other parties. The land is comprised of 40.2 acres in total, 17.0 acres of which is included within the boundaries of the Park. The likelihood of loss as a result of this Statement of Claim is not determinable and the amount of the loss is not reasonably estimable. Her Majesty the Queen in the Right of Newfoundland, as represented by the Minister of Works, Services and Transportation is named as a Second Defendant in the Statement of Claim.

10. Financial instruments

The Commission's financial instruments recognized in the Balance Sheet consist of cash, accounts receivable, accounts payable and accrued liabilities, and obligations under capital lease, the carrying values of which approximate fair value due to the short-term maturity or current market rate associated with these instruments.

11. Income taxes

The Commission is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

13. Subsequent event

On 19 May 1999, the Minister of Works, Services and Transportation released a Pippy Park Boundaries Report for comment from interested stakeholders. The report, which was prepared by a Commissioner appointed by Government, recommends certain changes to the existing boundaries of C.A. Pippy Park. No changes in the boundaries of the Park have been made to date.

14. Uncertainty due to Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or third parties, will be fully resolved.

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Central East Health Care Institutions Board
Financial Statements
March 31, 1999

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Chartered Accountants
Canadian Member Firm of
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Auditors' Report

To the Board of Directors
Central East Health Care Institutions Board

We have audited the consolidated balance sheet of the Central East Health Care Institutions Board as at March 31, 1999 and the consolidated statements of net assets, revenue and expenditures and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Grand Falls-Windsor, Newfoundland
August 11, 1999

Grant Thornton
Chartered Accountants

P.O. Box 83
9 High Street
Grand Falls-Windsor
Newfoundland
A2A 2J3
Tel: (709) 489-6622
Fax: (709) 489-6625

Central East Health Care Institutions Board
Consolidated Statement of Revenue and Expenditure

Year Ended March 31	1999	1998
Revenue		
Provincial plan	$ 39,672,940	$38,409,442
MCP physicians salaries	4,508,967	4,366,802
Patient-resident services	2,989,083	3,020,156
Mortgage interest subsidy	170,704	170,704
Other income	998,644	821,467
Special funding - enhanced severance	50,945	96,840
Capital project funding	283,750	360,000
	48,675,033	47,245,411
Board fund revenue	447,576	381,495
	49,122,609	47,626,906
Expenditure		
Administration	5,681,366	5,488,602
Support services	11,885,352	11,524,101
Nursing inpatient services - Acute	11,268,000	11,176,170
Nursing inpatient services - L.T.C.	5,806,491	5,540,684
Ambulatory care services	2,700,402	2,546,687
Diagnostic and therapeutic services	6,726,954	6,298,800
Medical services	5,581,450	5,371,820
Education services	383,776	402,625
	50,033,791	48,349,489
Deficit prior to other operations and special funding by Department of Health	(911,182)	(722,583)
Primary Health Enhancement Project – Net	(12,447)	
Bonnews Lodge day care program – Net	(2,563)	(12,833)
Deficit prior to special funding by Department of Health	(926,192)	(735,416)
Special funding by Department of Health for prior years deficit reduction	2,368,000	
Surplus (deficit) prior to other operations	1,441,808	(735,416)
Amortization of Deferred Capital Grants	(2,001,422)	(1,876,703)
Depreciation	2,001,422	1,876,703
Increase in accrued vacation pay	(93,636)	(339,929)
Increase in accrued severance pay	(562,160)	(608,442)
	786,012	(1,683,787)
Board fund expenditure	(514,441)	(544,171)
Gain on sale of capital assets		128,091
Excess of revenue over expenditure	$ 271,571	$ (2,099,867)

See accompanying notes to the financial statements.

Central East Health Care Institutions Board
Consolidated Balance Sheet

March 31	1999	1998
Assets		
Current		
Receivables (Note 3)	$ 4,311,985	$ 1,374,849
Inventories (Note 4)	742,970	778,049
Prepaids (Note 5)	1,458,152	1,420,131
	6,513,107	3,573,029
Sponsorships and advances receivable (Note 6)	171,339	16,542
Due from NLHC for replacement reserve	106,879	90,671
Trust funds held on deposit	148,707	138,863
J.M. Olds scholarship fund and library fund		74,232
Capital assets (Note 7)	20,369,710	19,841,576
	$ 27,309,742	$23,734,913
Liabilities		
Current		
Bank indebtedness	$ 2,613,951	$ 2,349,499
Payables and accruals (Note 8)	4,968,412	3,540,192
Accrued vacation pay	2,205,566	2,111,929
Deferred capital grants	675,546	296,703
Current portion of obligations under capital lease	321,494	283,290
Current portion of long term debt	139,214	121,532
Current portion of accrued severance pay	230,000	200,000
	11,154,183	8,903,145
Trust funds payable	148,707	138,863
Accrued severance pay	4,892,901	4,360,740
Long term debt (Note 9)	4,527,935	4,597,068
Obligations under capital lease (Note 10)	465,714	665,641
Deferred contributions-unamortized portion of capital assets (Note 11)	14,389,077	13,626,564
Replacement reserve	106,879	90,671
J.M. Olds scholarship fund and library fund	74,786	74,232
	35,760,182	32,456,924
Net Assets		
Net assets invested in capital assets (Page 4)	519,463	547,483
Unrestricted net assets (Page 4)	(8,969,903)	(9,269,494)
	(8,450,440)	(8,722,011)
	$ 27,309,742	$ 23,734,913

Commitments and contingency (Notes 13 and 14)

On behalf of the Board

Director

Director

See accompanying notes to the financial statements.

Central East Health Care Institutions Board
Consolidated Statement of Changes in Net Assets

Year Ended March 31

			1999	1998
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	$ 547,483	$ (9,269,494)	$ (8,722,011)	$(6,622,144)
Excess of revenue over expenditure		271,571	**271,571**	(2,099,867)
Reallocate board depreciation expense	(28,020)	28,020		
Balance, end of year	$ 519,463	$ (8,969,903)	**$ (8,450,440)**	$(8,722,011)

See accompanying notes to the financial statements.

Central East Health Care Institutions Board
Consolidated Statement of Changes in Financial Position

Year Ended March 31	1999	1998
Cash derived from (applied to)		
Operating		
Excess of expenditure over revenue	$ 271,571	$(2,099,867)
Amortization	2,042,127	1,917,310
Net allocation to replacement reserve	10,008	10,008
Debt principal retired through revenue	102,146	94,367
Lease principal retired through revenue	304,783	246,015
Amortization of deferred capital grants	(2,001,422)	(1,876,703)
	729,213	(1,708,870)
Change in non-cash operating working capital		
Receivables	(3,107,942)	665,309
Inventories	35,079	(74,472)
Prepaids	(38,021)	(38,134)
Payables and accruals	1,428,220	(3,418)
Accrued vacation pay	93,637	339,929
Accrued severance pay	562,161	604,243
Deferred grants	378,843	95,053
	81,190	(120,360)
Investing		
Additions to capital assets	(2,427,202)	(679,760)
Additions to leased capital assets	(143,059)	(386,820)
Scholarship funds allocated from current assets	74,232	1,924
	(2,496,029)	(1,064,656)
Financing		
Repayment of long term debt	(121,844)	(113,345)
Repayment of lease obligation	(304,783)	(246,015)
Transfer from scholarship funds	554	(1,924)
Interest income earned by replacement reserve	6,200	3,923
Grants received for the purchase of capital assets	2,249,499	477,988
Donations received for the purchase of capital assets	107,309	203,241
Additions to capital leases	143,059	386,820
Suppliers equipment loans	70,393	
Forgiveness of debt		14,814
	2,150,387	725,502
Net decrease in cash	(264,452)	(459,514)
Bank indebtedness, net of cash		
Beginning of year	(2,349,499)	(1,889,985)
End of year	$(2,613,951)	$(2,349,499)

See accompanying notes to the financial statements.

Central East Health Care Institutions Board
Operating Fund Statement of Revenue and Expenditure

Year Ended March 31	1999	1998
Revenue		
Provincial plan	$ 39,672,940	$ 38,409,442
MCP physicians salaries	4,508,967	4,366,802
Inpatient services	482,206	546,083
Outpatient services	331,637	298,097
Resident revenue-LTC	2,175,240	2,175,976
Mortgage interest subsidy	170,704	170,704
Special funding-enhanced severance	50,945	96,840
Capital project funding	283,750	360,000
Recoveries-services	470,455	429,111
Recoveries-salaries	460,513	307,252
Other miscellaneous revenue	67,676	85,104
	48,675,033	47,245,411
Expenditure		
Administration	5,681,366	5,488,602
Support services	11,885,352	11,524,101
Nursing inpatient services-Acute	11,268,000	11,176,170
Nursing inpatient services-LTC	5,806,491	5,540,684
Ambulatory care services	2,700,402	2,546,687
Diagnostic and therapeutic services	6,726,954	6,298,800
Medical services	5,581,450	5,371,821
Education services	383,776	402,625
	50,033,791	48,349,490
Deficit prior to other operations and special funding by Department of Health	(1,358,758)	(1,104,079)
Primary Health Enhancement project – net	(12,447)	
Bonnews Lodge day care program – net	(2,563)	(12,833)
Deficit prior to special funding by Department of Health	(1,373,768)	(1,116,912)
Special funding by Department of Health for prior years deficit reduction	2,368,000	
Surplus (deficit) prior to other operations	994,232	(1,116,912)
Adjustments for non-shareable items		
Amortization of deferred capital equipment grants	(2,001,422)	(1,876,703)
Depreciation	2,001,422	1,876,703
Increase in accrued vacation pay	(93,636)	(339,929)
Increase in accrued severance pay	(562,160)	(608,442)
Excess of revenue over expenditure	$ 338,436	$(2,065,283)

See accompanying notes to the financial statements.

Central East Health Care Institutions Board
Operating Fund Balance Sheet

March 31	1999	1998
Assets		
Current		
Receivables (Note 3)	$ 4,311,985	$ 1,374,267
Due from board fund	344,350	227,606
Inventories (Note 4)	742,970	778,049
Prepaids (Note 5)	1,458,152	1,420,131
	6,857,457	3,800,053
Trust funds held on deposit	148,707	138,863
Capital assets (Note 7)	19,072,662	18,503,823
	$26,078,826	$ 22,442,739
Liabilities		
Current		
Bank indebtedness	$ 2,618,906	$ 2,358,868
Payables and accruals (Note 8)	4,960,766	3,536,475
Accrued vacation pay	2,205,566	2,111,929
Deferred capital grants	675,546	296,703
Current portion of obligations under capital lease	321,494	283,290
Current portion of long term debt	122,916	101,532
Current portion of accrued severance pay	230,000	200,000
	11,135,194	8,888,797
Trust funds payable	148,707	138,863
Accrued severance pay	4,892,901	4,360,740
Long term debt (Note 9)	3,746,222	3,799,559
Obligations under capital leases (Note 10)	465,714	665,641
Deferred contributions - unamortized portion of capital assets (Note 11)	14,389,077	13,626,564
	34,777,815	31,480,164
Net assets		
Net assets invested in capital assets (Page 8)	27,239	27,239
Unrestricted net assets (Page 8)	(8,726,228)	(9,064,664)
	(8,698,989)	(9,037,425)
	$26,078,826	$ 22,442,739

Commitments and contingency (Notes 13 and 14)

See accompanying notes to the financial statements.

Central East Health Care Institutions Board
Operating Fund Statement of Changes in Net Assets

Year Ended March 31			1999	1998
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	$ 27,239	$ (9,064,664)	$ (9,037,425)	$ (6,972,142)
Excess of revenue over expenditure		338,436	338,436	(2,065,283)
Balance, end of year	$ 27,239	$ (8,726,228)	$ (8,698,989)	$ (9,037,425)

See accompanying notes to the financial statements.

Central East Health Care Institutions Board
Operating Fund
Statement of Changes in Financial Position

Year Ended March 31	1999	1998
Cash derived from (applied to)		
Operating		
Excess of revenue over expenditures	$ 338,436	$ (2,065,283)
Amortization	2,001,422	1,876,703
Debt principal retired through revenue	102,146	94,367
Lease principal retired through revenue	304,783	246,015
Amortization of deferred capital grants	(2,001,422)	(1,876,703)
	745,365	(1,724,901)
Change in non-cash operating working capital		
Receivables	(2,937,518)	696,364
Inventories	35,079	(74,472)
Prepaids	(38,021)	(38,134)
Payables and accruals	1,424,291	(2,477)
Accrued vacation pay	93,637	339,929
Accrued severance pay	562,161	608,441
Change in due from Board Fund	(116,744)	74,352
Deferred grants	378,843	95,053
	147,093	(25,845)
Investing		
Additions to capital assets	(2,427,202)	(681,230)
Additions to leased capital assets	(143,059)	(386,820)
	(2,570,261)	(1,068,050)
Financing		
Repayment of long term debt	(102,346)	(94,367)
Repayment of leasing obligation	(304,783)	(246,015)
Grants received for purchase of capital assets	2,249,498	477,988
Donations received for purchase of capital assets	107,309	203,241
Additions to capital leases	143,059	386,820
Suppliers equipment loans	70,393	
Forgiveness of debt		14,814
	2,163,130	742,481
Net decrease in cash	(260,038)	(351,414)
Cash, net of bank indebtedness		
Beginning of year	(2,358,868)	(2,007,454)
End of year	$ (2,618,906)	$ (2,358,868)

See accompanying notes to the financial statements.

Grant Thornton

Central East Health Care Institutions Board
Board Fund Statement of Revenue, Expenditure and Net Assets

Year Ended March 31	1999	1998
Revenue		
Real estate rentals	$ 31,110	$ 36,188
Interest	3,139	11,533
Differentials	24,858	31,919
Other	15,424	
	74,531	79,640
Bonnews Lodge Apartment Complex	146,933	108,007
Central Northeast Health Foundation	226,112	193,848
	447,576	381,495
Expenditure		
Real estate, including amortization of $28,060	129,379	143,217
Non-shareable costs	13,208	14,590
	142,587	157,807
Bonnews Lodge Apartment Complex	146,933	108,007
Central Northeast Health Foundation	224,921	278,357
	514,441	544,171
Excess of expenditure over revenue	(66,865)	(162,676)
Gain on sale of capital assets		128,092
Excess of expenditure over revenue	(66,865)	(34,584)
Balance beginning of year	315,414	349,998
Balance end of year	$ 248,549	$ 315,414

See accompanying notes to the financial statements.

Grant Thornton

Central East Health Care Institutions Board
Board Fund Balance Sheet

March 31	1999	1998
Assets		
Current		
Cash	$ 4,954	$ 9,369
Due from Newfoundland & Labrador Housing Corporation		582
	4,954	9,951
J.M. Olds scholarship fund and library fund		74,232
Sponsorships and advances receivable (Note 6)	171,339	16,542
Due from N.L.H.C. for replacement reserve	106,879	90,671
Capital assets (Note 7)	1,297,048	1,337,752
	$1,580,220	$1,529,148
Liabilities		
Current		
Due to Newfoundland & Labrador Housing Corporation	$ 3,449	
Accrued interest	4,196	$ 3,716
Current portion of long term debt	16,298	20,000
	23,943	23,716
Long term debt (Note 9)	781,713	797,509
Due to Central East Health Care Institutions Board	344,350	227,606
Replacement reserve	106,879	90,671
J.M. Olds scholarship fund and library fund	74,786	74,232
	1,331,671	1,213,734
Net assets		
Net assets invested in		
Capital assets	492,224	520,244
Unrestricted net assets	(243,675)	(204,830)
	248,549	315,414
	$ 1,580,220	$ 1,529,148

Commitments and contingency (Notes 13 and 14)

See accompanying notes to the financial statements.

Grant Thornton

Central East Health Care Institutions Board
Board Fund Statement of Changes in Financial Position

Year Ended March 31	1999	1998
Cash provided from (applied to)		
Operating		
Excess of expenditure over revenue	$ (66,865)	$ (34,584)
Amortization	40,705	40,607
Net allocation to replacement reserve	10,008	10,008
	(16,152)	16,031
Changes in non-cash operating working capital		
Receivables	(170,424)	(31,055)
Payables and accruals	3,929	(941)
Severance pay		(4,198)
	(182,647)	(20,163)
Investing		
Changes in capital assets		1,470
Scholarship funds allocated from current assets	74,232	1,924
	74,232	3,394
Financing		
Interest income earned by replacement reserve	6,200	3,923
Transfer from scholarship funds	554	(1,924)
Repayment of long term debt	(19,498)	(18,978)
Increase in due to Central East Health Care Institutions Board operating fund	116,744	(74,352)
	104,000	(91,331)
Net decrease in cash	(4,415)	(108,100)
Cash		
Beginning of year	9,369	117,469
End of year	$ 4,954	$ 9,369

See accompanying notes to the financial statements.

1. Nature of operations

These financial statements reflect the operating assets, liabilities, net assets, revenues and expenditures of the following facilities and clinics operated by the Central East Health Care Institutions Board.

Facilities

James Paton Memorial Hospital
Fogo Island Hospital
Notre Dame Memorial Health Centre
Brookfield Bonnews Health Care Centre
Lakeside Homes
Bonnews Lodge Apartment Complex
Central Northeast Health Foundation

Clinics

Carmanville
Centreville
Gambo
Gander Bay
Glovertown
Hare Bay
Musgrave Harbour
New World Island
St. Brendan's

The operations of the above entities were primarily funded by the Government of Newfoundland and Labrador (the Government) to provide health care services on the Government's behalf, causing all entities to be effectively under common control. As a result, these financial statements have been prepared using a pooling of interest method of accounting. Under this method, the book values of assets, liabilities and net assets of each of the entities being combined are added together to form the combined value of assets, liabilities and net assets of the Board.

2. Summary of significant accounting policies

The financial statements of the Board have been prepared within the framework of generally accepted accounting principles which requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the Board are as follows:

Basis of presentation

The Board applies fund accounting principles in recording its financial transactions in the Operating Fund and Board Fund.

The Operating Fund contains all the operating assets, liabilities, revenue and expenditure of the Board related to the provision of hospital services. The assets of the Operating Fund are available for the satisfaction of debts, contingent liabilities and commitments of the Board.

2. Summary of significant accounting policies (cont'd)

Basis of presentation (cont'd)

The Board Fund contains special purpose assets and those which may be expended at the discretion of the Board. Revenue consists mainly of investment income and revenue not directly related to hospital operations. Expenditures of this fund consist of hospital operating expenditures not shared by government and those approved by the Board.

Inventories

Inventories are valued determined on the first in first out basis as follows:

General stores, at average cost
Drugs, at cost

Capital assets

The Corporation has recorded all capital assets over which it has control although title to certain of these assets rests with the Government. Capital assets recorded prior to the merger are recorded at either cost, nominal, or approximate fair value, on the basis of accounting used by the predecessor entities. Capital assets acquired after April 1, 1995 are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the related assets at the following rates:

Hospital buildings and service equipment:	
Gander	2.50%
Brookfield	5.00%
Fogo	5.00%
Notre Dame Bay Memorial Health Care	2.50%
Bonnews Lodge	2.50%
Residences	2.50%
District buildings and service equipment	5.00%
Equipment	6.25%
Motor vehicles	20.00%

Construction in progress is not depreciated until the project is substantially complete at which time the project costs are transferred to buildings and renovations and depreciated accordingly.

Minor equipment purchases are charged to operations in the year of acquisition.

In addition, the Bonnews Lodge Apartment Complex building and equipment is being amortized at a rate equal to the annual principal reduction of the mortgage related to this property. This is in accordance with an operating agreement with Newfoundland and Labrador Housing Corporation.

As of the date of the Auditors' Report no values were available from the Provincial Government on the redevelopment and upgrading of facilities at the James Paton Memorial Hospital.

2. Summary of significant accounting policies (cont'd)

Capital and operating leases

A lease that transfers substantially all of the benefits and risks incidental to ownership of property is accounted for as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value. Assets acquired under capital leases are amortized on the same basis as other capital assets. All other leases are accounted for as operating leases and the payments are expensed as incurred.

Capital contributions

Capital contributions are recorded as deferred contributions and amortized to income on a straight-line basis using the same rates as depreciation expense related to the capital assets purchased. Capital contributions for non-depreciable capital assts are recorded as direct increases in net assets.

Replacement reserve

In accordance with agreements with the Newfoundland Labrador Housing Corporation, the Board is required to fund a replacement reserve in an annual amount set by the Newfoundland and Labrador Housing Corporation. This allocation of funds is expensed annually and added to the liability account "Replacement Reserve". The use and disposition of reserve funds are subject to the approval of the Newfoundland Labrador Housing Corporation.

Disbursements from the replacement reserve are charged against the Replacement Reserve liability account and does not affect current operating results.

Revenue recognition

Provincial plan revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred revenue.

Revenue from donations, including pledges, is recognized as revenue when received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Revenue from the sale of goods and services is recognized at the time the goods are delivered or the services are provided.

Budget Incentive

The Board is reimbursed by the Department of Health for the total of its operating costs, after deduction of specified revenue and expenditure, to the extent of the approved budget.

2. Summary of significant accounting policies (cont'd)

Budget incentive (cont'd)

The final amount receivable from or payable to the Department will not be determined until the Department has completed its review of the Board's financial and statistical returns. The management of the Board considers the amount recorded as receivable from or payable to the Department to be inclusive of all proper adjustments. Subsequent adjustments resulting from the Department's review will be reflected in the statement of revenue and expenditure in the period of adjustment.

For the fiscal years 1997 to 1999, the Board is permitted to retain any savings from the approved budget.

Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is recorded in the accounts for employees who have a vested right to receive such a payment. No provision for the ultimate severance pay liability is made in the accounts for any employee who does not have a vested right to the payment. The amount is payable when the employee ceases employment with the Board.

Pension costs

Employees of the Board are included in the Public Service Pension Plan and the Government Money Purchase Plan administered by the Province of Newfoundland. Contributions to the plans are required from both the employees and the Board. The annual contributions for pensions are recognized in the accounts on a current basis.

Contributed services

Volunteers contribute many hours per year to assist the Board in carrying out its service delivery activities. Due to the difficulty of determining fair value, contributed services are not recognized in the financial statements.

3. Receivables

	1999		1998
	Operating Fund	Total	Total
Grants - capital assets	$ 136,048	**$ 136,048**	$ 300,000
Patients, capital donations, rents and other	693,246	**693,246**	516,087
Provincial plan revenue grants	701,054	**701,054**	155,004
Provincial plan revenue grants – prior years deficit fund	2,368,000	**2,368,000**	
MCP	155,348	**155,348**	190,022
HST	302,708	**302,708**	227,192
Newfoundland and Labrador Housing Corp.			582
	4,356,404	**4,356,404**	1,388,887
Allowance for doubtful accounts	44,419	**44,419**	14,038
	$4,311,985	**$4,311,985**	$1,374,849

4. Inventories

	1999	1998
General stores	**$ 362,719**	$ 393,657
Drugs	**380,251**	384,392
	$ 742,970	$ 778,049

5. Prepaids

	1999	1998
Deposit on equipment leases	**$ 22,549**	$ 22,874
Equipment maintenance contracts	**205,810**	151,725
Malpractice insurance	**44,466**	48,060
Workers' Compensation	**1,135,582**	1,144,459
Other	**49,745**	53,013
	$1,458,152	$1,420,131

Central East Health Care Institutions Board
Notes to the Financial Statements
March 31, 1999

6. Sponsorships and advances receivable	1999	1998
Board Fund		
Dr. Ohson – non-interest bearing loan to fund family practice residency at Memorial University. Repayable through return of service over 24 months.	$ 57,863	$ 16,542
Dr. Yousif – Five year orthopedic residency loan, interest accruing on the first of each month at the prime rate of the Bank of Nova Scotia plus 1% as set each July 1. Total estimated loan before repayment commences $188,000. Repayments to commence September 1, 2002.	69,439	
Dr. Van Wyck – non-interest bearing loan advanced for the purposes of buying back past service on provincial pension plan. This is being repaid through payroll deductions at $140 per month.	3,975	
Dr. Jegatheeswaran – non-interest bearing advance made for residency sponsorship during the year while Dr. Jegatheeswaran was employed by the board. This amount is being repaid $4,000 per month.	40,062	
	$ 171,339	$ 16,542

7. Capital assets	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Operating fund				
Land	$ 27,239		$ 27,239	$ 27,239
Building and service equipment	27,565,242	15,023,373	12,541,869	13,298,389
Equipment	17,916,686	12,708,717	5,207,969	3,920,011
Equipment under capital lease	1,536,632	321,053	1,215,579	1,168,561
Motor vehicles	388,082	353,808	34,274	24,950
Motor vehicles under capital lease	94,705	48,973	45,732	64,673
	47,528,586	28,455,924	19,072,662	18,503,823
Board fund				
Land	11,936		11,936	11,936
Building	1,624,083	362,799	1,261,284	1,293,158
Equipment	146,046	122,218	23,828	32,659
	1,782,065	485,017	1,297,048	1,337,753
Consolidated totals	$49,310,651	$28,940,941	$20,369,710	$19,841,576

8. Payables and accruals

	1999			1998
	Operating Fund	Board Fund	Total	Total
Trade	$3,597,955	$ 4,196	**$3,602,151**	$2,487,169
Due to NLHC		3,449	**3,449**	
Employees portion of EI premiums reduction	39,423		**39,423**	43,143
Payroll deductions	202,067		**202,067**	166,196
Unused donations - education	5,576		**5,576**	3,399
Resident's comfort fund	20,326		**20,326**	17,958
Accrued - wages	1,077,420		**1,077,420**	806,058
Accrued - other	18,000		**18,000**	16,269
	$4,960,767	$ 7,645	**$4,968,412**	$3,540,192

Under the Board's current accounting system the liability related to accrued leave owing to employees for time worked in lieu of pay is not readily determinable. Therefore, this liability has not been recorded in the financial statements.

At March 31, 1999, the Board has recorded a receivable from MCP in the amount of $155,348. MCP has estimated that the Board has a liability to MCP of $56,593. The difference of $211,941 has not been reflected in the financial statements at March 31, 1999.

It is reasonably possible that the actual amount of the above liabilities will differ materially from the amounts recorded in the financial statements. However, the amount of these possible unrecorded liabilities cannot be reasonably estimated.

9. Long term debt

	1999	1998
Operating fund:		
CMHC 7.36% first mortgage on Bonnews Lodge, repayable in equal monthly principal and interest instalments of $11,227, amortized to April, 2011.	**$1,082,214**	$1,132,146
CMHC 8.64% mortgage on Lakeside Homes, repayable in equal monthly principal and interest instalments of $17,894,amortized to May, 2020.	**2,107,057**	2,136,138
CMHC 7.5% mortgage on Lakeside Homes, repayable in equal monthly principal and interest instalments of $4,574, amortized to July, 2023.	**619,406**	627,407

9. **Long term debt** (cont'd)	1999	1998
Bank of Nova Scotia unsecured bank loan, repayable in monthly principal instalments of $300 plus interest at prime plus 1%, maturing September, 2000.	1,800	5,400
BacT/Alert Supplier Equipment loan, repayable through contacted supply purchases, being amortized to March 2003.	58,661	
	3,869,138	3,901,091
Less: current portion	122,916	101,532
	$ 3,746,222	$3,799,559
Board fund:		
Newfoundland & Labrador Housing Corporation 6.5% first mortgage on Bonnews Apartment Complex, repayable in equal monthly principal and interest instalments of $4,880, amortized to November, 2024.	$ 776,189	$ 788,875
Bank of Nova Scotia 6.45% first mortgage on land and building at Musgrave Harbour; repayable in equal monthly principal and interest instalments of $703, amortized to January, 2002.	21,822	28,634
	798,011	817,509
Less: Current portion	16,298	20,000
	$ 781,713	$ 797,509
Consolidated totals	$4,527,935	$ 4,597,068

The mortgages are secured by first fixed charges on the land and buildings to which they relate.

Principal repayments in each of the next five years are due as follows:

	Operating Fund	Board Fund
2000	$ 122,916	$16,298
2001	128,000	20,000
2002	137,000	20,000
2003	149,000	14,000
2004	143,000	15,000

10. Obligations under capital lease

The board has entered into a number of agreements whereby it leases certain equipment for terms ranging from three to six years. These leases are accounted as capital leases with the board treating the equipment as being an acquisition of an asset and the assumption of an obligation. The effective interest rates range from 6.83% to 15.65%.

The following is a schedule of future minimum lease payments under the capital leases expiring May, 2004.

	1999	1998
Year ending March 31, 1999		$ 359,575
Year ending March 31, 2000	**$ 374,960**	343,354
Year ending March 31, 2001	**247,051**	215,446
Year ending March 31, 2002	**158,632**	127,027
Year ending March 31, 2003	**90,250**	45,711
Year ending March 31, 2004	**2,866**	
Total minimum lease payments	**873,759**	1,091,113
Less: Amount representing interest	**86,551**	142,182
Balance of obligation	**787,208**	948,931
Less: Current portion	**321,494**	283,290
	$ 465,714	$ 665,641

11. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent restricted contributions with which capital assets were originally purchased. The changes in the deferred contribution balance for the year are as follows:

	1999	1998
Balance, beginning of year	**$13,626,564**	$14,466,119
Add: Capital equipment grants	**2,254,499**	477,988
Donated equipment	**102,309**	203,241
Principal reduction on mortgages	**102,345**	94,367
Reduction in obligation under capital lease	**293,050**	246,739
Equipment loans forgiven	**11,732**	14,813
	16,390,499	15,503,267
Less: amortization	**2,001,422**	1,876,703
Balance, end of year	**$14,389,077**	$13,626,564

12. Prior period adjustments

During the year, the Board changed its accounting policy with respect to capital leases to conform with the recommendations of the CICA handbook.

The Board has applied this change in accounting policy retroactively. As a result the March 31, 1998 figures presented for comparative purposes have been restated from those previously reported, to reflect this retroactive change.

13. Commitments

Operating leases

The Board has a number of agreements whereby it leases equipment and property in addition to those disclosed under Note 10. These agreements range in terms from one to three years. These leases are accounted for as operating leases. Future minimum lease payments under operating leases are as follows:

2000	$60,000
2001	51,000
2002	26,000

Energy Performance Contract

The Board entered into an Energy Performance Contract on July 25, 1997 with Rose Technology Group Limited for the design and implementation of measures to improve energy efficiency, wherein Rose Technology Group guaranteed the energy savings component.

The contract is estimated at $1,378,637 and is to be repaid from operating and energy savings over a maximum ten-year period.

As support for the financing, Rose Technology Group Limited has assigned to Textron Financial Corporation any funds due to them by the Board for the energy savings component of the contract.

In the opinion of management of the Board, the guaranteed energy savings component by Rose Technology Group Limited is an offset to any obligation of the Board under the assignment to Textron Financial Corporation and as a consequence neither the capital expenditures or the financing obligation is reflected in the financial statements of the Board at March 31, 1999.

14. Contingency

As of March 31, 1999 there were a number of claims against the Board in varying amounts for which no provision has been made. It is not possible to determine the amounts, if any, that may ultimately be assessed against the Board with respect to these claims, but management believes any claims, if successful, will be covered by liability insurance.

15. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The Board has developed and implemented a plan designed to identify and address the expected effects of the Year 2000 Issue on the Board. As at March 31, 1999 identification and assessment of the Year 2000 readiness of third parties, such as customers, suppliers and others, is ongoing. The Board is carrying out ongoing activities to modify, retire or replace computer systems identified to date which are not Year 2000 ready. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Central West Health Corporation
Operating Fund
Financial Statements
March 31, 1999

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Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Auditors' Report

To the Board of Directors
Central West Health Corporation

We have audited the operating fund balance sheet of the Central West Health Corporation as at March 31, 1999, and the operating fund statements of revenue and expenditure and changes in financial position for the year then ended. These financial statements are the responsibility of the board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the operating fund of the board as at March 31, 1999, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Grant Thornton
Chartered Accountants

Grand Falls-Windsor, Newfoundland
July 28, 1999

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9 High Street
Grand Falls-Windsor
Newfoundland
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Central West Health Corporation
Operating Fund Statement of Revenue and Expenditure

Year Ended March 31	1999	1998
Revenue		
Inpatient	$ 254,077	$ 346,430
MCP physician revenue	3,457,232	3,521,142
Mortgage interest subsidy	82,658	82,661
Other income	993,984	1,288,134
Outpatient	361,369	322,542
Provincial plan	52,337,763	50,796,423
Resident's rents	4,386,241	4,480,476
	61,873,324	60,837,808
Expenditure		
Administration	6,334,220	6,126,006
Ambulatory care services	4,408,714	4,044,516
Diagnostic and therapeutic services	9,668,638	9,221,394
Education	561,092	507,758
Medical services	4,475,724	4,258,989
Nursing inpatient services	21,555,095	21,336,296
Support services	14,677,506	14,416,284
	61,680,989	59,911,243
Excess of revenue over expenditure before other operations and special funding	192,335	926,565
Outreach programs	(62,961)	(67,023)
Special funding for prior years deficits	1,770,000	
Excess of revenue over expenditure before non shareable revenue and expenditure	1,899,374	859,542
Non shareable revenue and expenditure		
Amortization of deferred capital asset contributions	267,424	139,471
Amortization of capital assets	(2,508,816)	(2,594,238)
Increase in provision for severance pay	(630,523)	(182,010)
Increase in provision for vacation pay	(170,746)	(39,798)
	(3,042,661)	(2,676,575)
Excess of expenditure over revenue	$ (1,143,287)	$ (1,817,033)

See accompanying notes to the financial statements.

Central West Health Corporation
Operating Fund Balance Sheet

March 31	1999	1998
Assets		
Current		
Cash	$ 49,321	$ 14,028
Receivables (Note 3)	3,278,186	3,063,202
Inventories, at cost	680,105	633,095
Prepaid expenses	1,922,164	1,666,074
	5,929,776	5,376,399
Capital assets (Note 4)	31,123,374	32,341,711
Trust funds held on deposit	314,063	329,863
Deferred charges	132,020	323,431
	$37,499,233	$38,371,404
Liabilities		
Current		
Bank indebtedness	$ 395,475	$ 2,005,378
Payables and accruals (Note 5)	4,939,000	4,602,288
Deferred severance revenue	90,961	
Vacation pay accrual	2,760,360	2,589,613
Current portion of long term debt	204,653	225,207
Current portion of obligations under capital lease	92,000	91,000
Deferred contributions-operating	45,349	192,912
Deferred contributions-capital	453,818	366,924
	8,981,616	10,073,322
Severance pay accrual	6,252,843	5,787,577
Trust funds payable	314,063	329,863
Long term debt (Note 6)	5,400,741	5,573,552
Obligations under capital leases (Note 7)	208,778	271,606
Deferred contributions		
Unamortized portion of capital asset contributions (Note 8)	2,586,018	1,587,630
	23,744,059	23,623,550
Equity		
Unrestricted net assets (Note 9)	(20,474,863)	(19,482,183)
Net assets invested in capital assets (Note 10)	34,230,037	34,230,037
	13,755,174	14,747,854
	$ 37,499,233	$38,371,404

Contingencies and commitments (Notes 11 and 12)

On behalf of the Board

Director Mary Morris Director

See accompanying notes to the financial statements.

Central West Health Corporation
Operating Fund Statement of Changes in Financial Position

Year Ended March 31	1999	1998
Cash derived from (applied to)		
Operating		
Excess of expenditure over revenue	$(1,143,287)	$(1,817,033)
Amortization of deferred charges	191,411	158,946
Amortization of deferred capital asset contributions	(267,424)	(139,471)
Amortization and depreciation	2,840,972	2,762,275
	1,621,672	964,717
Change in non-cash operating working capital		
Receivables	(214,984)	(430,381)
Inventories	(47,010)	7,273
Prepaids	(256,090)	(297,560)
Payables and accruals	336,712	(733,915)
Deferred severance revenue	90,961	
Vacation pay accrual	170,747	(37,981)
Severance pay accrual	465,266	225,158
	2,167,274	(302,689)
Financing		
Deferred contributions		
Operating	(147,563)	6,114
Capital	86,894	244,338
Capital contributions	1,265,812	1,727,101
Final settlement	18,849	
Issue of long term debt	16,831	333,000
Repayment of long term debt	(272,024)	(258,716)
	968,799	2,051,837
Investing		
Sale of capital assets	60,096	32,000
Net purchase of capital assets	(1,550,973)	(1,180,596)
	(1,490,877)	(1,148,596)
Net increase in cash	1,645,196	600,552
Bank indebtedness, net of cash		
Beginning of year	(1,991,350)	(2,591,902)
End of year	$ (346,154)	$(1,991,350)

See accompanying notes to the financial statements.

1. Nature of operations

These financial statements reflect the operating assets, liabilities, net assets, revenues and expenditures of the following facilities and clinics operated by the Central West Health Corporation.

Facilities

A.M. Guy Memorial Health Centre
Baie Verte Peninsula Health Centre
Carmelite House Senior Citizens Home
Central Newfoundland Regional Health Centre
Green Bay Community Health Centre
Dr. Hugh Twomey Health Care Centre
Harbour Breton Hospital
North Haven Manor Senior Citizens Home
Valley Vista Senior Citizens' Home

Clinics

Hermitage
La Scie
Lewisporte
Mose Ambrose
St. Alban's

The operations of the above entities were primarily funded by the Government of Newfoundland and Labrador (the Government) to provide health care services on the Government's behalf, causing all entities to be effectively under common control. As a result, these financial statements have been prepared using a pooling of interest method of accounting. Under this method, the book values of assets, liabilities and net assets of each of the entities being combined are added together to form the combined value of assets, liabilities and net assets of the Corporation.

2. Summary of significant accounting policies

The financial statements of the Corporation have been prepared within the framework of generally accepted accounting principles which requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the Corporation are as follows:

Basis of presentation

The Corporation applies fund accounting principles in recording its financial transactions in the Operating Fund.

The Operating Fund contains all the operating assets, liabilities, revenue and expenditure of the Corporation related to the provision of hospital services. The assets of the Operating Fund are available for the satisfaction of debts, contingent liabilities and commitments of the Corporation.

2. Summary of significant accounting policies (cont'd)

Inventories

Inventories are valued at cost, determined on the first-in first-out basis.

Capital assets

The Corporation has recorded all capital assets over which it has control although title to certain of these assets rests with the Government. Capital assets recorded prior to the merger are recorded at either cost, nominal, or approximate fair value, on the basis of accounting used by the predecessor entities. Capital assets acquired after April 1, 1995 are recorded at cost. Depreciation is recorded on a straight-line basis over the estimated useful lives of the related assets at the following rates:

Land improvements	10%
Buildings	5%
Equipment and vehicles	10-20%

Construction in progress is not depreciated until the project is substantially complete at which time the project costs are transferred to buildings and renovations and depreciated accordingly.

Minor equipment purchases are charged to operations in the year of acquisition.

As of the date of the Auditors' Report no values were available from the Provincial Government on the redevelopment and upgrading of facilities at the Central Newfoundland Regional Health Centre, the Dr. Hugh Twomey Health Care Centre and Harbour Breton Hospital.

Capital and operating leases

A lease that transfers substantially all of the benefits and risks incidental to ownership of property is accounted for as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value. Assets acquired under capital leases are amortized on the same basis as other capital assets. All other leases are accounted for as operating leases and the payments are expensed as incurred.

Capital contributions

Capital contributions are recorded as deferred contributions and amortized to income on a straight-line basis using the same rates as depreciation expense related to the capital assets purchased. Capital contributions for non-depreciable capital assts are recorded as direct increases in net assets.

2. Summary of significant accounting policies (cont'd)

Revenue recognition

Provincial plan revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred revenue.

Revenue from donations, including pledges, is recognized as revenue when received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Revenue from the sale of goods and services is recognized at the time the goods are delivered or the services are provided.

Budget incentive

The Corporation is reimbursed by the Department of Health for the total of its operating costs, after deduction of specified revenue and expenditure, to the extent of the approved budget.

The final amount receivable from or payable to the Department will not be determined until the Department has completed its review of the Corporation's financial and statistical returns. The management of the Corporation considers the amount recorded as receivable from or payable to the Department to be inclusive of all proper adjustments. Subsequent adjustments resulting from the Department's review will be reflected in the statement of revenue and expenditure in the period of adjustment.

For the fiscal years 1997 to 1999, the Corporation is permitted to retain any savings from the approved budget.

Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is recorded in the accounts for employees who have a vested right to receive such a payment. No provision for the ultimate severance pay liability is made in the accounts for any employee who does not have a vested right to the payment. The amount is payable when the employee ceases employment with the Corporation.

Pension costs

Employees of the Corporation are covered by the Public Service Pension Plan and the Government Money Purchase Pension Plan administered by the Province of Newfoundland. Contributions to the plan are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Deferred charges

Deferred charges represent the cost of equipment and vehicles which are being amortized on a straight line basis.

2. Summary of significant accounting policies (cont'd)

Vacation pay

Vacation pay is accounted for on an accrual basis and is payable in accordance with present employer and employee contracts of the Corporation.

Contributed services

Volunteers contribute many hours per year to assist the Corporation in carrying out its service delivery activities. Due to the difficulty of determining fair value, contributed services are not recognized in the financial statements.

3. Receivables

	1999	1998
Cancer Foundation	$ 74,499	$ 138,619
Capital grants	180,629	48,690
Central Community Health Care Board	10,751	11,548
Cottages	71,359	138,443
Due from Board Fund	328,328	516,151
Employees	13,418	21,852
Harmonized sales tax	190,655	489,021
Health grants	7,500	27,500
Long term care	166,388	195,033
Newfoundland Medical Care Commission	141,576	323,689
Other	29,794	7,024
Provincial plan	1,770,000	798,598
Services to patients	350,047	305,284
South and Central Health Foundation	159,989	228,743
	3,494,933	3,250,195
Allowance for doubtful accounts	216,747	186,993
	$3,278,186	$3,063,202

4. Capital assets

			1999	1998
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land	$ 93,612		$ 93,612	$ 93,612
Land improvements	473,445	$ 162,819	310,626	345,141
Buildings	23,951,464	8,716,173	15,235,291	15,433,147
Equipment and vehicles	27,153,150	11,669,305	15,483,845	16,469,811
	$ 51,671,671	$20,548,297	$31,123,374	$32,341,711

5. Payables and accruals

At March 31, 1999, the Corporation has recorded a receivable from MCP in the amount of $141,576. MCP has estimated that the Corporation has a liability to MCP of $292,155. The difference of $433,731 has not been reflected in the financial statements at March 31, 1999.

It is reasonably possible that the actual amount of the above liability will differ materially from the amounts recorded in the financial statements. However, the amount of the possible unrecorded liability cannot be reasonably estimated.

6. Long term debt

	Purpose	1999	1998
Canadian Imperial Bank of Commerce unsecured loan, repayable in blended monthly instalments of $930 with interest at prime less ½%.	House - 38/40 Greenwood		$ 8,598
Canadian Imperial Bank of Commerce unsecured loan, repayable in equal monthly instalments of $4,167 with interest at prime less 5/8%.	Energy Performance Contract	**$ 254,167**	300,000
Canadian Imperial Bank of Cmmerce loan, repayable in equal monthly instalments of $688 with interest at prime less 5/8% secured by motor vechile	Motor vehicle	**25,438**	33,000
Canadian Imperial Bank of Commerce unsecured loan, repayable in blended monthly instalments of $1,100 with interest at prime less ½%.	House - 42/44 Greenwood	**4,495**	16,985
Canadian Imperial Bank of Commerce unsecured loan, repayable in blended monthly instalments of $675 with interest at prime less ½%.	House - Mose Ambrose	**8,284**	15,616
Canadian Imperial Bank of Commerce unsecured loan, repayable in blended monthly instalments of $600 with interest at prime less ½%.	House - Harbour Breton	**20,822**	26,521

6. Long term debt (cont'd)	Purpose	1999	1998
Canadian Imperial Bank of Commerce unsecured loan, repayable in blended monthly instalments of $460 with interest at prime less ½%.	House - Hermitage	**15,774**	20,010
Canadian Imperial Bank of Commerce unsecured loan, repayable in blended monthly instalments of $600 with interest at prime less ½%.	House - La Scie	**41,039**	45,524
Canadian Imperial Bank of Commerce unsecured loan, repayable in blended monthly instalments of $650 with interest at prime less ½%.	House - Harbour Breton	**50,439**	54,937
Canadian Imperial Bank of Commerce unsecured loan, repayable in blended monthly instalments of $350 with interest at prime less ½%.	House - Hermitage	**15,958**	19,055
Canadian Imperial Bank of Commerce unsecured loan, repayable in blended monthly instalments of $856 with interest at prime less ½%.	House - Grand Falls-Windsor	**105,873**	109,428
8% Canada Mortgage and Housing Corporation mortgage, maturing in February 2026, repayable in equal monthly principal and interest instalments instalments of $8,298, secured by land, building and equipment.	North Haven Manor	**1,112,150**	1,123,707
7⅞% Canada Morgage and Housing Corporation mortgage, maturing in 2024, repayable in equal monthly principal and interest instalments of $8,165.	Carmelite House	**1,086,860**	1,100,056
9.59% Canada Mortgage and Housing Corporation mortgage, maturing in 2019, repayable in blended monthly principal and interest instalments of $12,388.	Green Bay Extension	**1,348,157**	1,366,560

6. Long term debt (cont'd)

	Purpose	1999	1998
8% Canada Mortgage and Housing Corporation mortgage, maturing in 2027, repayable in blended monthly principal and interest instalment of $10,124.	Green Bay Extension	1,379,348	1,390,022
Bank of Montreal loan, repayable in monthly instalments of $2,000 plus interest at prime plus 1%.	Green Bay Telephone System	8,000	32,000
Bank of Montreal loan, repayable in monthly instalments of $466 plus interest at prime plus 1%.	House - Green Bay		4,740
Bank of Montreal loan, repayable in monthly instalments of $500 plus interest at prime plus 1%.	House - Green Bay	26,000	32,000
Bank of Nova Scotia loan, repayable in monthly instalments of $1,250 plus interest at 11%.	House renovations - Baie Verte	85,759	100,000
GMAC loan, repayable in equal monthly Principal and interest instalments of $510.		16,831	
		5,605,394	5,798,759
Less: Current portion		204,653	225,207
		$ 5,400,741	$ 5,573,552

Estimated principal payments required during the next five years are as follows:

2000	$204,653
2001	188,934
2002	196,150
2003	189,884
2004	187,632

To reduce the cost of borrowing, the Federal Government provides an amount to reduce the effective interest rate of the Canada Mortgage and Housing Corporation mortgage for the Green Bay Health Care Centre. The assistance is subject to regulations and conditions during the amortization of the mortgages.

Canada Mortgage and Housing Corporation mortgages are secured by specific land and buildings.

7. Obligations under capital lease

	Purpose	1999	1998
Royal Bank leasing loan, repayable in blended monthly instalments of $9,559 with interest at 8.5% secured by specific equipment.	Lab equipment	$ 300,778	$ 362,606
Less: Current portion		92,000	91,000
		$ 208,778	$ 271,606

Estimated principal payments required during the next four years are as follows:

2000	$ 92,000
2001	93,000
2002	94,500
2003	21,278

8. Deferred contributions related to capital assets

Deferred contributions related to capital assets represent restricted contributions in which capital assets were originally purchased. As outlined above in Note 2, these contributions are being amortized to revenue at the same rates at which the related capital assets are amortized. In accordance with the new not-for-profit accounting recommendations, the Corporation adopted this policy on April 1, 1997. The Corporation has not applied this accounting policy retroactively because the necessary financial information is not reasonably determinable.

	1999	1998
Balance, beginning of year	$1,587,630	
Capital contributions during the year	1,265,812	$1,727,101
Less: Amortization	267,424	139,471
Balance, end of year	$2,586,018	$1,587,630

9. Unrestricted net assets

	1999	1998
Balance, beginning of year	$(19,482,183)	$(17,665,150)
Adjustment of Provincial Plan payable	150,607	
Excess of expenditure over revenue	(1,143,287)	(1,817,033)
Balance, end of year	$(20,474,863)	$(19,482,183)

10. Net assets invested in capital assets

	1999	1998
Balance, beginning of year	$ 34,230,037	$ 34,261,332
Loss on sale of property		(31,295)
Balance, end of year	$ 34,230,037	$ 34,230,037

11. Contingencies

As of March 31, 1999 there were a number of claims against the Corporation in varying amounts for which no provision has been made. It is not possible to determine the amounts, if any, that may ultimately be assessed against the Corporation with respect to these claims, but management believes any claims, if successful, will be covered by liability insurance.

12. Commitments

New Seniors Complex

The Corporation has announced plans for the replacement of the Carmelite House Senior Citizens Home. The new facility has an estimated cost of $10,000,000.

The terms and conditions related to long term financing arrangements for the construction of the new Senior Citizens Home have not been finalized.

Energy Performance Contract

The Board entered into an Energy Performance Contract on July 31, 1998 with Rose Technology Group Limited for the design and implementation of measures to improve energy efficiency, wherein Rose Technology Group guaranteed the energy savings component.

The contract is estimated at $3,577,353 and is to be repaid from operating and energy savings over a maximum ten-year period.

As support for the financing, Rose Technology Group Limited has assigned to Textron Financial Corporation any funds due to them by the Corporation for the energy savings component of the contract.

In the opinion of management of the Corporation, the guaranteed energy savings component by Rose Technology Group Limited is an offset to any obligation of the Corporation under the assignment to Textron Financial Corporation and as a consequence neither the capital expenditures or the financing obligation is reflected in the financial statements of the Corporation at March 31, 1999.

13. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The Corporation has developed and implemented a plan designed to identify and address the expected effects of the Year 2000 Issue on the Corporation. As at March 31, 1999 identification and assessment of the Year 2000 readiness of third parties, such as customers, suppliers and others, is ongoing. The Corporation is carrying out ongoing activities to modify, retire or replace computer systems identified to date which are not Year 2000 ready. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

SCHOOL DISTRICT # 3
CORNER BROOK - DEER LAKE - ST. BARBE

FINANCIAL STATEMENTS/AUDITOR'S REPORT

June 30, 1998

School District #3 Corner Brook - Deer Lake - St. Barbe

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3. Prepaid Expenses 27

Auditors' Report

To The Members of School District #3 Corner Brook - Deer Lake - St. Barbe

We have audited the balance sheet of the current and capital funds of School District #3 Corner Brook - Deer Lake - St. Barbe as at June 30, 1998, and the related statements of current revenues, expenditures and District equity, and statement of changes in capital fund position for the year then ended. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As required by Section 66 (2) of The Schools Act, we report that the employees whose duties include collecting, receiving or depositing of money are bonded in amounts considered to be sufficient.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the District as at June 30, 1998 and the results of its operations and changes in its capital financial position for the year then ended, in accordance with generally accepted accounting principles and as explained in Note 1 to the financial statements, and are in compliance with reporting requirements established for School Districts in the Province of Newfoundland and Labrador by the Department of Education.

D. R. Powell & Company
Chartered Accountants

Stephenville, Newfoundland
City

September 4, 1998
Date

School District #3 Corner Brook - Deer Lake - St. Barbe

BALANCE SHEET

June 30, 1998

Assets

	1998	(6 months) 1997
Current Assets		
Cash (Supp. Info. 1)	$ 1,235	$ 48,981
Short Term Investments (Supp. Info. 2)	52,551	59,642
Accounts Receivable (Note 2)	613,449	503,195
Prepaid Expenses (Supp. Info. 3)	--	--
Total Current Assets	667,235	611,818
Property and Equipment (Sch. 8)	51,625,391	51,870,119
	$ 52,292,626	$ 52,481,937

Liabilities and District Equity

	1998	(6 months) 1997
Current Liabilities		
Bank Indebtedness (Note 3)	$ 630,743	$ --
Accounts Payable and Accrued (Note 4)	143,369	682,441
Current Maturities (Schedule 9A)	74,654	72,000
Total Current Liabilities	848,766	754,441
Severance pay accrual	8,874,322	516,252
Long-Term Debt (Schedule 9)	507,915	584,480
District Equity		
Investment in Capital Assets (Note 6)	51,200,877	51,363,692
Reserve Account (Note 5)	--	--
District Equity	(9,139,254)	(736,928)
Total District Equity	42,061,623	50,626,764
	$ 52,292,626	$ 52,481,937

See Accompanying Notes

Approved: ______________ Chairman

______________ Secretary

School District #3 Corner Brook - Deer Lake - St. Barbe

STATEMENT OF CURRENT REVENUES, EXPENDITURES AND DISTRICT EQUITY

Year Ended June 30, 1998

	1998	(6 months) 1997
Current Revenue (Schedule 1)		
Provincial Government Grants	$ 39,295,705	$ 20,351,371
Donations	--	--
Ancillary Services	49,175	24,547
Miscellaneous	1,055,334	1,010,359
	40,400,214	21,386,277
Current Expenditures		
Administration (Schedule 2)	1,138,762	693,440
Instruction (Schedule 3)	42,458,526	17,421,947
Operations and Maintenance (Schedule 4)	4,354,569	2,480,927
Pupil Transportation (Schedule 5)	722,236	458,699
Ancillary Services (Schedule 6)	--	--
Interest Expense (Schedule 9C)	48,102	27,126
Miscellaneous (Schedule 7)	--	--
	48,722,195	21,082,139
23 111 Excess of Revenue over Expenditures	(8,321,981)	304,138
Transfer to/from Capital	(80,345)	(282,632)
Net Increase/Decrease in District Equity	(8,402,326)	21,506
District Equity, Beginning of Year	(736,928)	(1,687,434)
	(9,139,254)	(1,665,928)
Deficit Retirement Grant	--	929,000
District Equity, End of Year	$ (9,139,254)	$ (736,928)

See Accompanying Notes

School District #3 Corner Brook - Deer Lake - St. Barbe

STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended June 30, 1998

		1998	(6 months) 1997
60	**Operating Activities**		
011	Excess of Revenue over Expenditures	$ (8,321,981)	$ 304,138
012	Changes in Non-Cash Working Capital		
013	- Short-Term Investments	7,091	(10,339)
014	- Accounts Receivable	(110,254)	120,918
015	- Prepaid Expenses	--	37,969
014	- Accounts Payable & Accrued Expenses	(539,072)	(127,283)
015	- Current Maturities	--	--
016	Other (Specify)		
	- Transfer to capital	(80,345)	(282,632)
	- Increase in severance pay accrual	8,358,070	185,402
		(686,491)	228,173
61	**Financing Activities**		
011	Proceeds from Bank Loans	--	--
012	Grants - Deficit Retirement	--	929,000
013	Other Capital Revenues	71,683	--
014	Changes in Long-Term Debt	(73,911)	--
015	Other (Specify)	--	--
		(2,228)	929,000
62	**Investing Activities**		
011	Proceeds on Sale of Capital Assets	10,230	--
012	Additions to Property and Equipment	--	--
013	Other (Specify)	--	--
		10,230	--
63	Increase (Decrease) in Cash	(678,489)	1,157,173
64	Cash, Beginning of The Year	48,981	(1,108,192)
65	Cash, End of The Year	$ (629,508)	$ 48,981

See Accompanying Notes

School District #3 Corner Brook - Deer Lake - St. Barbe

STATEMENT OF CHANGES IN CAPITAL FUND

Year Ended June 30, 1998

			1998	(6 months) 1997
70		**Capital Receipts**		
71		**Proceeds from Bank Loans**		
	011	- School Construction	$ --	$ --
	012	- Equipment	--	--
	013	- Service Vehicles	--	--
	014	- Pupil Transportation	--	--
	015	- Other (Specify)	--	--
			--	--
72		**EIC Grants**		
	011	School Construction and Equipment	--	392,179
	012	Other - Debt Retirement	55,019	--
			55,019	392,179
73		**Donations**		
	011	- Cash Receipts	--	--
	012	- Non-Cash Receipts	--	--
	013	- Restricted Use	--	--
			--	--
74		**Sale of Capital Assets - Proceeds**		
	011	- Land	--	--
	012	- Buildings	10,230	--
	013	- Equipment	--	--
	014	- Service Vehicles	--	--
	015	- Pupil Transportation Vehicles	--	--
	016	- Other (Specify)	--	--
			10,230	--
75		**Other Capital Revenues**		
	011	- Interest on Capital Fund Investments	--	--
	012	- Premiums on Debentures	--	--
	013	- Recoveries of Expenditures	--	--
	015	- Insurance Proceeds	--	--
	016	- Native Peoples Grants	--	--
	017	- Miscellaneous - Debt Retirement Grant	--	527,977
			--	527,977
Total Capital Receipts			65,249	920,156
77		**Transfer from Reserve Account**	--	--
78		**Transfer to/from Current Fund**	80,345	282,632
Total			$ 145,594	$ 1,202,788

See Accompanying Notes

School District #3 Corner Brook - Deer Lake - St. Barbe

STATEMENT OF CHANGES IN CAPITAL FUND (Cont'd)

Year Ended June 30, 1998

			1998	(6 months) 1997
80		**Capital Disbursements**		
81		Additions to Property & Equipment	$ --	$ --
	011	- Land and Sites	--	--
	012	- Buildings	--	--
	013	- Furniture & Equipment - School	--	--
	014	- Furniture & Equipment - Other	--	--
	015	- Service Vehicles	--	--
	016	- Pupil Transportation	--	--
	017	- Other (Specify)		
			--	--
82		Principal Repayment of Long-Term Debt	60,000	942,086
	011	- School Construction	--	--
	012	- Equipment	--	--
	013	- Service Vehicles		
	014	- Other (Specify) - Office	13,911	6,260
			73,911	948,346
83		Miscellaneous Disbursements	71,683	254,442
	013	- Other (Specify) - Investment		
			71,683	254,442
		Total Capital Disbursements	$ 145,594	$ 1,202,788

See Accompanying Notes

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 1998

1. **Significant Accounting Policies:**

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Districts. Fund accounting can be defined as "accounting procedures in which a self balancing group of accounts is provided for each fund". It is customary for School Districts to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the District, relating to their use of fund accounting, is as follows:

(a) Grants received by the District are recorded in either the current or capital funds depending on their source. Grants from the Department of Education are treated as current revenues while those from the Education Investment Corporation are recorded as capital revenues. Also, amounts paid to construction companies from the Education Investment Corporation on behalf of the District for capital projects are treated as capital revenues.

(b) Capital asset additions are recorded at full cost in the capital fund.

(c) The District does not calculate or record amortization on any of its capital assets.

(d) Principal repayment of bank loans are recorded as Capital Expenditures.

(e) The cost of the Board-owned bus transportation service is not reflected in these financial statements. During the current fiscal year, the cost of operating the bus transportation service was $ 1,602,988.

(f) The liability for teacher severance pay is recorded in the current fiscal year in the amount of $ 8,311,185. The liability for the previous fiscal period was not recorded, however the amount of the liability as of June 30, 1997 was $ 8,254,221.

(g) The comparative figures for the period ended June 30, 1997 reflected only six months of operations.

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 1998

2. Accounts Receivable

			1998	(6 months) 1997
		Current		
11	131	Provincial Government	$ 74,677	$ 22,792
	132	Transportation	6,866	--
	133	Federal Government	257,194	242,809
	136	Other School Districts	--	--
	137	Rent	36,000	16,000
	138	Interest	--	--
	139	Travel Advances and Miscellaneous	80,657	63,539
		Capital		
11	231	EIC - Construction Grants	--	--
	233	Local Contributions	--	--
	234	Other School Districts	--	--
	235	Other (Specify) - City of Corner Brook	158,055	158,055
			$ 613,449	$ 503,195

3. Bank Indebtedness

			1998	1997
21	131	On Operating Credit	$ 630,743	$ --
	132	On Capital Account	--	--
			$ 630,743	$ --

School District #3 Corner Brook - Deer Lake - St. Barbe

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 1998

		4. Accounts Payable and Accrued	1998	(6 months) 1997
		Current		
21	111	Trade Payable	$ 56,141	$ 394,780
	112	Accrued - Liabilities	3,000	3,000
	113	- Interest	--	--
	114	- Wages	--	--
	115	Payroll Deductions	10,827	5,084
	116	Scholarships	52,551	--
	117	Deferred Grants	20,849	271,577
	118	Other - Severance Pay	8,874,322	516,252
		Capital		
21	211	Trade Payable	--	8,000
	212	Accrued - Liabilities	--	--
	213	- Interest	--	--
	217	Deferred Grants	--	--
	218	Other (Specify)	--	--
			$ 9,017,690	$ 1,198,693

5. **Reserve Account**

Description:

	1998	(6 months) 1997
Balance, Beginning of Year	$ --	$ --
Less Transfer from Reserve	--	--
	--	--
Add Transfer to Reserve	--	--
Balance, End of Year	$ --	$ --

School District #3 Corner Brook - Deer Lake - St. Barbe

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 1998

	1998	(5 months) 1997
6. Investment in Capital Assets, beginning of year	$ 51,363,692	$ 51,109,249
Add:		
Transfer of Operating funds to Capital Fund	--	--
Grants - EIC - Contribution for Capital Const.	--	--
- Other (Specify). Capital projects funded by EIC but paid directly to other sources on behalf of District.	--	--
Donations (Specify)	--	--
Proceeds from Sale of Capital Assets		
- Land	--	--
- Buildings	--	--
- Equipment	--	--
- Vehicles	--	--
- Other	--	--
Interest on Capital Fund Investments	--	--
Recoveries of Expenditures	--	--
Insurance Proceeds - Capital	--	--
Native Peoples Grants - Capital	--	--
Excess of Revenue over Expenditures - Capital Fund	71,683	254,443
	51,435,375	51,363,692
Deduct Adjustments:		
Cost of assets sold		
- Land	✓ 3,000	--
- Buildings	✓ 231,498	--
- Equipment	--	--
- Vehicles	--	--
- Other	--	--
	234,498	--
Other	--	--
23 221 Investment in Capital Assets, End of Year	$ 51,200,877	$ 51,363,692

School District #3 Corner Brook - Deer Lake - St. Barbe

NOTES TO THE FINANCIAL STATEMENTS

Year Ended June 30, 1998

7. Commitments

At balance sheet date the District had the following commitments:

8. Other (Please Specify)

Schedule 1

School District #3 Corner Brook - Deer Lake - St. Barbe

CURRENT REVENUES

Year Ended June 30, 1998

		1998	(6 months) 1997
32 010	**Provincial Government Grants**		
011	Regular	$ 6,515,240	$ 3,549,106
016	Special Grants (Details on bottom of Schedule 1)	1,550,602	230,500
	Salaries and Benefits		
017	- Directors and Asst. Directors	287,954	142,699
021	- Regular Teachers	29,307,711 ✓	15,453,261
022	- Substitute Teachers	945,385	562,950
030	Pupil Transportation		
031	- Board Owned	--	--
032	- Contracted	577,038	342,588
033	- Handicapped	111,775	70,267
		39,295,705	20,351,371
33 010	**Donations**		
012	Cash Receipts	--	--
013	Non-Cash Receipts	--	--
014	Restricted Use	--	--
		--	--

[illegible]

Schedule 1 (Cont'd)

School District #3 Corner Brook - Deer Lake - St. Barbe

CURRENT REVENUES

Year Ended June 30, 1998

		1998	(6 months) 1997
34 010	**Ancillary Services**		
011	Revenues from Rental of Residences	$ --	$ --
021	Revenues from Rental of Schools and Facilities (Net)	49,175	24,547
031	Cafeterias	--	--
032	Other - (Specify)	--	--
		49,175	24,547
35 010	**Miscellaneous**		
011	Interest on Investments	15,332	245
012	Bus Charters	--	--
021	Recoveries of Expenditures	29,143	32,041
031	Revenues from Other School Districts	--	--
041	Federal Rebates	246,810	139,459
051	Insurance Proceeds	49,938	109,117
061	Bilingual Education Revenue	16,323	30,138
071	Operating Rev. from Native Peoples Grant	--	--
081	Miscellaneous Federal Grants	587,129	693,539
091	Textbooks	57,651	--
092	Sundry	53,008	5,820
		1,055,334	1,010,359
	Total Current Revenues	$ 40,400,214	$ 21,386,277

Special Grants	1998	1997
Redundancy	$ 34,131	$ 42,666
School Board Election Grant	✓61,523	--
Debt Servicing	--	150,423
Grant For The Gifted - Alternate Text	--	405
Student Assistant Salaries	✓527,078	--
Textbook Credit Allocation	15,121	13,057
Court ruling	✓27,769	--
Administration	✓8,556	--
Payroll tax	✓610,624	--
Computers	223,800	--
Maintenance	42,000	23,949
Other (Specify)	--	--
	$ 1,550,602	$ 230,500

Schedule 2

School District #3 Corner Brook - Deer Lake - St. Barbe

ADMINISTRATION EXPENDITURES

Year Ended June 30, 1998

		1998	(6 months) 1997
51	Salaries and Benefits		
011	- Directors and Asst. Directors	$ 338,305	$ 150,446
012	- District Office Personnel	380,660	279,873
013	Office Supplies	26,119	10,493
014	Replacement Furniture and Equipment	18,038	8,312
015	Postage	15,320	11,475
016	Telephone	48,015	41,155
017	Office Equipment Rentals and Repairs	16,885	10,030
018	Bank Charges	25	1,661
019	Electricity	--	--
021	Fuel	--	--
022	Insurance	9,726	12,733
023	Repairs and Maintenance (Office Building)	4,524	1,985
024	Travel	74,167	30,029
025	Board Meeting Expenses	21,220	11,179
026	Election Expenses	34,003	--
027	Professional Fees	14,248	18,035
028	Advertising	24,672	7,870
029	Membership Dues	35,765	17,320
031	Municipal Service Fees	13,923	7,725
032	Rental of Office Space	--	--
033	Relocation Expenses	--	36,155
034	Miscellaneous	14,298	11,613
035	Payroll Tax	49,849	25,351
	Total Administration Expenditures	$ 1,139,762	$ 693,440

- 347,[illegible]

- 4,524

- [illegible]

762,920 [illegible]

[illegible]

Schedule 3

School District #3 Corner Brook - Deer Lake - St. Barbe

INSTRUCTION EXPENDITURES

Year Ended June 30, 1998

		1998	(6 months) 1997
52 010	**Instructional Salaries (Gross)**	$ 29,307,711	$ 15,453,261
011	Teachers' Salaries - Regular	940,483	562,719
012	- Substitute	798	--
013	- District Paid	482,744	--
014	Student Assistants	23,085	--
015	Employee Benefits	578,487	319,483
016	School Secretaries - Salaries & Benefits	8,921,810	78,377
017	Employee Benefits	15,667	8,157
018	Other - French Monitor		
		40,270,785	16,421,997
52 040	**Instructional Materials**	86,828	26,171
041	General Supplies	121,258	17,746
042	Library Resource Materials	831,229	84,619
043	Teaching Aids	68,598	5,357
044	Textbooks		
		1,107,913	133,893
52 060	**Instructional Furniture and Equipment**	89,175	31,964
061	Replacement	70,898	42,724
062	Rentals and Repairs		
		160,073	74,688
52 080	**Instructional Staff Travel**	25,884	12,077
081	Program Co-ordinators	49,704	33,731
082	Teachers' Travel	149,021	3,200
083	Inservice and Conferences		
		224,609	49,008
52 090	**Other Instructional Costs**	4,615	6,906
091	Postage and Stationery	690,531	735,455
092	Miscellaneous		
		695,146	742,361
	Total Instruction Expenditures	$ 42,458,526	$ 17,421,947

[illegible]

[illegible]

[illegible]

Schedule 4

School District #3 Corner Brook - Deer Lake - St. Barbe

OPERATIONS AND MAINTENANCE EXPENDITURES - SCHOOLS

Year Ended June 30, 1998

		1998	(6 months) 1997
53 011	Salaries & Benefits - Janitorial	$ 853,685	$ 455,272
012	- Maintenance	438,407	223,109
013	Employee Benefits	236,989	219,626
014	Electricity	1,103,334	684,836
015	Fuel	171,992	132,428
016	Municipal Service Fee	76,492	52,212
017	Telephone	197,038	91,864
018	Vehicle Operating and Travel	48,486	19,551
019	Janitorial Supplies	74,218	48,180
021	Janitorial Equipment	--	1,029
022	Repairs and Maintenance - Buildings	616,721	188,243
023	- Equipment	5,137	3,762
024	Contracted Services - Janitorial	434,353	201,738
025	Snow Clearing	84,250	98,324
026	Rentals	--	--
027	Other (Specify)	13,467	60,753
	Total Operations and Maintenance	$ 4,354,569	$ 2,480,927

Operations [illegible]
[illegible]

[illegible] [illegible]
[illegible]

School District #3 Corner Brook - Deer Lake - St. Barbe

PUPIL TRANSPORTATION EXPENDITURE

Year Ended June 30, 1998

		1998	(6 months) 1997
54 010	**Operation and Maintenance of Board Owned Fleet**		
011	Salaries - Administration	$ --	$ --
012	- Drivers and Mechanics	--	--
013	Payroll Tax	--	--
014	Debt Repayment - Interest	--	--
015	- Principal	--	--
016	Bank Charges	--	--
017	Gas and Oil	--	--
018	Licenses	--	--
019	Insurance	--	--
021	Repairs and Maintenance - Fleet	--	--
022	- Building	--	--
023	Tires and Tubes	--	--
024	Heat and Light	--	--
025	Municipal Service	--	--
026	Snow Clearing	--	--
027	Office Supplies	--	--
028	Rent	--	--
029	Travel	--	--
031	Professional Fees	--	--
032	Miscellaneous	350	12,736
033	Telephone	--	--
034	Vehicle leases	--	--
		350	12,736
54 040	**Contracted Services**		
041	Regular Transportation	675,755	371,815
042	Handicapped	46,131	74,148
		721,886	445,963
	Pupil Transportation Expenditures	$ 722,236	$ 458,699

Schedule 6

School District #3 Corner Brook - Deer Lake - St. Barbe

ANCILLARY SERVICES AND MISCELLANEOUS EXPENSES

Year Ended June 31, 1998

Ancillary Services
The District owns and operates the following ancillary services:

		1998	(6 months) 1997
55	**Ancillary Services**		
011	Operation of Teachers' Residences	$ --	$ --
031	Cafeterias	--	--
032	Other (Specify)	--	--
		$ --	$ --

Schedule 7

Miscellaneous Expenses (Specify)
The District has incurred the following miscellaneous expenses:

57 011	Miscellaneous Expenses (Specify)	$ --	$ --

School District #3 Corner Brook - Deer Lake - St. Barbe

DETAILS OF PROPERTY AND EQUIPMENT

Year Ended June 30, 1998

		(6 months) Balance June 30, 1997	Additions	Disposals	Balance June 30, 1998
12 210	**Land and Sites**				
211	Land and Sites	$ 1,015,572	$ --	$ (3,000)	$ 1,012,572
12 220	**Buildings**				
221	Schools	44,211,502	--	(241,728)	43,969,774
222	Administration	1,375,644	--	--	1,375,644
223	Residential	--	--	--	--
224	Recreational	--	--	--	--
225	Other (Specify)	--	--	--	--
		45,587,146	--	(241,728)	45,345,418
12 230	**Furniture and Equip.**				
231	Schools	4,426,317	--	--	4,426,317
232	Administration	656,421	--	--	656,421
233	Residential	--	--	--	--
234	Recreation	--	--	--	--
235	Other (Specify)	--	--	--	--
		5,082,738	--	--	5,082,738
12 240	**Vehicles**				
241	Service Vehicles	95,601	--	--	95,601
12 250	**Pupil Transportation**				
251	Land	--	--	--	--
252	Building	--	--	--	--
253	Vehicles - Buses	89,062	--	--	89,062
254	- Service	--	--	--	--
255	Equipment	--	--	--	--
256	Other (Specify)	--	--	--	--
		89,062	--	--	89,062
12 260	**Misc. Capital Assets -**				
261	Other (Specify)	--	--	--	--
	Total Property and Equipment	$ 51,870,119	$ --	$ (244,728)	$ 51,625,391

Schedule 9

School District #3 Corner Brook - Deer Lake - St. Barbe

DETAILS OF LONG-TERM DEBT

Year Ended June 30, 1998

Bank loans, mortgage and debentures,
approved by the District and the Government
of Newfoundland and Labrador

	1998	(6 months) 1997
22 210 Loans Other than Pupil Transportation		
Ref. #		
211 **Bank Loans**		
Prime Repayable $ 5,000 monthly, maturing 2001	$ 134,915	$ 194,915
_____ Repayable $_______ monthly, maturing ____	--	--
_____ Repayable $_______ monthly, maturing ____	--	--
_____ Repayable $_______ monthly, maturing ____	--	--
_____ Repayable $_______ monthly, maturing ____	--	--
_____ Repayable $_______ monthly, maturing ____	--	--
Total 211	134,915	194,915
212 **Mortgages**		
6.6% Repayable $ 3,558 monthly, maturing 2016	447,654	461,565
_____ Repayable $_______ monthly, maturing ____	--	--
_____ Repayable $_______ monthly, maturing ____	--	--
_____ Repayable $_______ monthly, maturing ____	--	--
_____ Repayable $_______ monthly, maturing ____	--	--
_____ Repayable $_______ monthly, maturing ____	--	--
Total 212	447,654	461,565
213 **Debentures**		
_____ Repayable $_______ monthly, maturing ____	--	--
_____ Repayable $_______ monthly, maturing ____	--	--
Total 213	--	--
214 Other (Please Specify)	--	--
Subtotal	582,569	656,480
215 Less Current Maturities	74,654	72,000
Total Loans Other Than Pupil Transportation	507,915	584,480

School District #3 Corner Brook - Deer Lake - St. Barbe

DETAILS OF LONG-TERM DEBT

Year Ended June 30, 1998

		1998	(6 months) 1997
22 220	Loans - Pupil Transportation		
	Ref. #		
221	**Vehicle Bank Loans**		
	_____Repayable $______ monthly, maturing _____	$ --	$ --
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
	Total 221	--	--
222	**Land, Buildings and Equipment Bank Loans**		
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
	_____Repayable $______ monthly, maturing _____	--	--
		--	--
	Total 222	--	--
	Subtotal	--	--
223	Less Current Maturities	--	--
	Total Loans - Pupil Transportation	--	--
	Total Long Term Debt	$ 507,915	$ 584,480

Schedule 9A

School District #3 Corner Brook - Deer Lake - St. Barbe

SUMMARY OF LONG-TERM DEBT

Year Ended June 30, 1998

Description	Ref. #	Rate	Balance Beginning of Year	Loans Obtained During Year	Principal Repayment for Year	Balance End of Year
A) School Construction			$ 194,915	$ --	$ 60,000	$ 134,915
B) Equipment			--	--	--	--
C) Service Vehicles			--	--	--	--
D) Other			461,565	--	13,911	447,654
E) Pupil Transportation			--	--	--	--
Total Loans			$ 656,480	$ --	$ 73,911	$ 582,569

Schedule 9B

School District #3 Corner Brook - Deer Lake - St. Barbe

SCHEDULE OF CURRENT MATURITIES

Year Ended June 30, 1998

Description	Year 1	Year 2	Year 3	Year 4	Year 5
A) School Construction	$ 14,654	$ 16,000	$ 17,500	$ 19,000	$ 22,000
B) Equipment	--	--	--	--	--
C) Service Vehicles	--	--	--	--	--
D) Other - Office	60,000	60,000	14,915	--	--
E) Pupil Transportation	--	--	--	--	--
Total	$ 74,654	$ 76,000	$ 32,415	$ 19,000	$ 22,000

Schedule 9C

School District #3 Corner Brook - Deer Lake - St. Barbe

56 010

SCHEDULE OF INTEREST EXPENSE

Year Ended June 30, 1998

	Description	1998	(6 months) 1997
012	Capital School Construction	$ 9,287	$ 12,004
	Equipment	--	--
	Service Vehicles	--	--
	Other - Office	27,112	15,122
		--	--
	Total Capital	36,399	27,126
013	Current - Operating Loans	11,703	--
014	- Supplier Interest Charges	--	--
	Total Current	11,703	--
	Total Interest Expense	$ 48,102	$ 27,126

School District #3 Corner Brook - Deer Lake - St. Barbe

SUPPLEMENTARY INFORMATION

Year Ended June 30, 1998

	1. Cash	1998	(6 months) 1997
	Current		
11 110	Cash on Hand and in Bank	$ --	$ --
111	Cash on Hand	--	47,244
112	Bank - Current	--	76
113	- Savings	1,235	1,661
114	- Teachers' Payroll	--	--
115	- Non-Teachers' Payroll	--	--
116	- Coupon (Debenture)	--	--
117	- Other (Specify)		
	Capital		
11 210	Cash on Hand and in Bank	--	--
211	Cash on Hand	--	--
212	Bank - Current	--	--
213	- Savings	--	--
214	- Other (Specify)		
	Total Cash on Hand & in Bank	$ 1,235	$ 48,981

	2. Short Term Investments		
	Current	$ 51,655	$ 58,746
11 121	Term Deposits	--	--
122	Canada Savings Bonds	896	896
123	Other (Specify) - Shares		
	Capital	--	--
11 221	Term Deposits	--	--
222	Canada Savings Bonds	--	--
223	Other (Specify)		
	Total Short Term Investments	$ 52,551	$ 59,642

3. **Prepaid Expenses**

		1998	(6 months) 1997
	Current		
11 141	Insurance	$ --	$ --
142	Municipal Service Fees	--	--
143	Supplies	--	--
144	Other (Specify)	--	--
	Capital		
11 241	Other (Specify)	--	--
		$ --	$ --

School Bus Transportation Service
of
School District #3
Corner Brook - Deer Lake -
St. Barbe

Corner Brook, Newfoundland

Financial Statements

June 30, 1998

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D.R. Powell & Company
Chartered Accountants

Frank Janes, C.A., Daniel Kung, C.A.,
Darren Roberts, C.A.

P.O. Box 255
Stephenville, NF.
A2N 2Z4

Telephone: (709) 643-5677
Facsimile: (709) 643-2007

AUDITORS' REPORT

To the Chairman and Trustees of The
School Bus Transportation Service of School District #3
Corner Brook - Deer Lake - St. Barbe

We have audited the balance sheet of The School Bus Transportation Service of School District #3 Corner Brook - Deer Lake - St. Barbe as at June 30, 1998 and the statement of revenue, expenditure and deficit, and changes in financial position. These financial statements are the responsibility of the Service's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

As required by Section 17(3) of the School Act 1969, we report that the employees whose duties include collecting, receiving or depositing of money are bonded in amounts considered to be sufficient.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Service as at June 30, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

D.R. Powell & Company
Chartered Accountants

Stephenville, Newfoundland
July 30, 1998

School Bus Transportation Service

Balance Sheet

June 30,1998

	1998	1997
Assets		
Current		
Cash	$ 6,939	$ --
Accounts Receivable - (Note 2)	10,876	46,109
	17,815	46,109
Capital Assets, at cost		
Land	111,000	111,000
Pavement	18,718	18,718
Building	220,681	220,681
Equipment	9,530	9,530
Vehicles	3,052,537	3,271,849
	3,412,466	3,631,778
	$ 3,430,281	$ 3,677,887
Liabilities		
Current		
Bank indebtedness	$ --	$ 92,669
Accounts payable and accruals	21,612	25,454
	21,612	118,123
Severance Pay Accrual - (Note 1)	103,878	96,215
	125,490	214,338
Equity		
Investment in Capital Assets - (Note 3)	3,486,409	3,708,595
(Deficit)	(181,618)	(245,046)
	3,304,791	3,463,549
	$ 3,430,281	$ 3,677,887

Signed on Behalf of The Board:

Trustee:

Trustee:

The accompanying notes are an integral part of these financial statements.

School Bus Transportation Service

Statement of Revenue, Expenditure and Deficit

For The Year Ended June 30, 1998

	1998	1997
Revenue		
Province of Newfoundland	$ 1,631,105	$ 2,700,463
Rentals	31,835	39,522
Interest	3,476	2,415
	1,666,416	2,742,400
Expenditure		
Bank charges	875	1,691
Debt repayment - principal	--	1,002,458
- interest	--	35,914
Gas and oil	163,120	240,585
Heat and light	15,832	18,871
Insurance	25,484	23,917
Licenses	30,488	25,654
Maintenance - fleet	203,149	213,632
- building	5,217	6,859
Miscellaneous	8,162	8,291
Municipal services	3,836	3,816
Office supplies	3,646	3,582
Professional fees	1,654	1,654
Snowclearing	3,900	4,960
Telephone	7,123	7,374
Tires and tubes	23,987	40,978
Travel	2,251	3,291
Salaries - administration	72,055	72,220
- drivers and mechanics	805,724	1,005,072
Employee benefits	134,903	149,942
Severance pay benefits	75,493	96,215
Payroll tax	16,089	20,470
	1,602,988	2,987,446
Excess (Deficiency) of Revenue Over Expenditure	63,428	(245,046)
Deficit, Beginning of Year	(245,046)	--
Deficit, End of Year	$ (181,618)	$ (245,046)

The accompanying notes are an integral part of these financial statements.

School Bus Transportation Service

Statement of Changes in Financial Position

For The Year Ended June 30, 1998

	1998	1997
Cash Provided By (Used In)		
Operating Activities		
Surplus (deficit) for the year	$ 63,428	$ (245,046)
Debt charges - principal	--	1,002,458
Distribution of surplus	--	(37,633)
Increase in severance pay accrual	7,663	96,215
	71,091	815,994
Net change in non-cash working capital balances	31,391	(40,047)
	102,482	775,947
Financing Activities		
Repayment of long-term debt	--	(1,002,458)
Capital grant	34,546	93,732
	34,546	(908,726)
Investing Activities		
Purchase of equipment	(38,425)	(89,854)
Proceeds of disposal	1,005	7,038
	(37,420)	(82,816)
Increase (Decrease) In Cash	99,608	(215,595)
Cash and Equivalents (Deficiency), Beginning Of Year	(92,669)	122,926
Cash and Equivalents (Deficiency), End Of Year	$ 6,939	$ (92,669)
Represented By:		
Bank	$ 6,939	$ --
Bank indebtedness	--	(92,669)
	$ 6,939	$ (92,669)
Net change in non-cash working capital balances consists of:		
Accounts receivable	$ 35,233	$ (28,481)
Accounts payable and accruals	(3,842)	(11,566)
	$ 31,391	$ (40,047)

The accompanying notes are an integral part of these financial statements.

School Bus Transportation Service

Notes To Financial Statements

For The Year Ended June 30, 1998

1. Significant Accounting Policies

(a) Capital assets are stated at cost.

(b) The Board does not calculate or record amortization on any of its capital assets.

(c) The annual instalment of principal and interest on long-term debt, obtained to finance the purchase of capital assets, are recorded in the statements as current expenditures.

(d) Severance pay - The liability for severance pay for employees who have a vested right, in effect, nine or more years of continuous service, has been recorded in the accounts.

2. Accounts Receivable

	1998	1997
School Boards	$ --	$ 33,072
Other	10,876	13,037
	$ 10,876	$ 46,109

3. Investment in Capital Assets

	1998	1997
Balance, beginning	$ 3,708,595	$ 2,660,023
Add: Repayment of debt principal	--	1,002,458
Capital grant	34,546	93,732
	3,743,141	3,756,213
Less: Loss on disposal	256,732	47,618
Balance, ending	$ 3,486,409	$ 3,708,595

Financial Statements of

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Year ended December 31, 1998

KPMG LLP
Chartered Accountants
Cabot Place Suite 800
100 New Gower Street
St John's NF A1C 6K3

Telephone (709) 722-5593
Telefax (709) 726-3000
www.kpmg.ca

AUDITORS' REPORT TO THE MEMBERS OF THE BOARD OF DIRECTORS

We have audited the balance sheet of Credit Union Deposit Guarantee Corporation as at December 31, 1998 and the statements of income and fund balance and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at December 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

KPMG LLP

Chartered Accountants

St. John's, Canada
March 9, 1999

KPMG LLP, a Canadian owned limited liability partnership established under the laws of Ontario, is a member firm of KPMG International, a Swiss association

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Balance Sheet

December 31, 1998, with comparative figures for 1997

	1998	1997
Assets		
Current assets:		
Cash	$ 13,549	$ 10,570
Receivables (note 3)	168,958	134,763
	182,507	145,333
Investments (note 4)	3,952,536	4,544,619
Furniture and equipment (note 5)	32,806	4,945
	$ 4,167,849	$ 4,694,897
Liabilities and Fund Balance		
Current liabilities:		
Accounts payable and accrued liabilities	$ 78,670	$ 68,313
Due to Eagle River Credit Union (note 9)	50,587	14,930
	129,257	83,243
Deposit guarantee fund balance	4,038,592	4,611,654
	4,038,592	4,611,654
Contingencies (note 9)		
	$ 4,167,849	$ 4,694,897

See accompanying notes to financial statements.

On behalf of the Board:

Director

Director

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Statement of Income and Fund Balance

Year ended December 31, 1998, with comparative figures for 1997

	1998	1997
Income:		
Assessments on credit unions	$ 464,983	$ 458,920
Interest	203,707	194,092
Bonding insurance	113,453	104,746
Other	4,199	3,664
	786,342	761,422
Expenses:		
Salaries and benefits	262,247	244,508
Bonding insurance	88,676	82,283
Travel	31,667	35,609
Rent	19,268	19,268
Office and administration	19,171	24,387
Depreciation	6,193	1,620
Training	4,207	4,310
Advertising and promotion	1,182	312
Guarantee fees	1,000	1,000
Insurance	900	820
Membership fees	750	850
Meetings	139	386
	435,400	415,353
Income before assistance to credit unions and income taxes	350,942	346,069
Assistance to credit unions (note 9)	(924,310)	(15,575)
(Loss) income before income taxes	(573,368)	330,494
Income tax recovery	306	7,028
Net (loss) income for the year	(573,062)	337,522
Deposit guarantee fund balance, beginning of year	4,611,654	4,274,132
Deposit guarantee fund balance, end of year	$ 4,038,592	$ 4,611,654

See accompanying notes to financial statements.

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Statement of Changes in Financial Position

Year ended December 31, 1998, with comparative figures for 1997

	1998	1997
Cash provided by (used in):		
Operations:		
Net income	$ (573,062)	$ 337,522
Items not involving cash:		
Depreciation	6,193	1,620
Change in non-cash operating working capital (note 7)	11,819	(59,959)
	(555,050)	279,183
Investments:		
Purchase of furniture and equipment	(34,054)	-
Decrease (increase) in investments	592,083	(209,058)
	558,029	(209,058)
Increase in cash position	2,979	70,125
Cash position, beginning of year	10,570	(59,555)
Cash position, end of year	$ 13,549	$ 10,570

See accompanying notes to financial statements.

CREDIT UNION DEPOSIT GUARANTEE CORPORATION

Notes to Financial Statements

Year ended December 31, 1998

---

1. General:

The Credit Union Guarantee Corporation (the "Corporation") is established as a corporation without share capital under the provisions of Section 79 of the Co-operative Societies Act.

The Corporation guarantees the deposits of members of credit unions in the Province of Newfoundland pursuant to the Credit Union Deposit Guarantee Corporation Regulations of the Co-operative Societies Act. This guarantee is supported by the investments held by the Corporation and a guarantee provided by the Government of Newfoundland and Labrador.

2. Significant accounting policies:

(a) Furniture and equipment:

Furniture and equipment are recorded at cost. Depreciation is provided on a declining balance basis at rates which will reduce original cost to estimated residual value over the useful life of the assets.

Asset	Basis	Rate
Furniture and equipment	Declining balance	20%
Computer equipment	Declining balance	30%

(b) Investments:

Investments are recorded at cost. When, in the opinion of management, a permanent decline in the value of the investments has occurred, the carrying value is adjusted accordingly.

(c) Assessments on credit unions:

Member credit unions self assess fees on the basis of 1/6 of 1% of the insured deposits where a member credit union has achieved a capital reserve of 5%; and 1/5 of 1% of the insured deposits where a member credit union has not achieved a capital adequacy reserve of 5%. Each member credit union is required to complete annually its own calculation of the assessment payable and submit the calculation and payment to the Corporation by March 31.

Assessments are recognized as income on the filing deadline noted above. The self assessments are subject to review by the Corporation. Any adjustments required as a result of this review are then recognized.

2. Significant accounting policies (continued):

(d) Assistance to credit unions:

Assistance to credit unions is recorded only when it can be reasonably determined by the Corporation that such a payment will be required and when the Board of Directors have assessed the reasonableness of such a charge and authorized the assistance as a commitment of the Fund. The determination of the assistance requires the exercise of judgement because the precise amount, method and timing of such assistance is dependent upon future events. The amount of actual assistance paid, and future possible assistance is disclosed in the financial statements.

3. Receivables:

	1998	1997
Accrued interest	$ 138,101	$ 126,086
Other	29,470	7,972
Trade	1,387	705
	$ 168,958	$ 134,763

4. Investments:

Issue	Type	Rate	Maturity	Maturity Value	Cost
Credit Union Central of Nova Scotia	Shares			$ 1,000	$ 1,000
Newfoundland and Labrador Credit Union Ltd.	Shares			100	100
				1,100	1,100
Government of Canada	Treasury Bill	4.78%	99/01/07	518,000	499,741
Government of Canada	Treasury Bill	5.05%	99/02/04	471,000	450,078
Government of Canada	Treasury Bill	4.87%	99/03/04	312,000	298,078
Government of Canada	Treasury Bill	4.83%	99/03/04	2,036,000	1,949,572
Government of Canada	Treasury Bill	5.00%	99/04/01	290,000	276,733
Government of Canada	Treasury Bill	4.95%	99/04/29	218,000	207,771
Government of Canada	Treasury Bill	5.25%	99/08/19	163,000	154,891
Government of Canada	Treasury Bill	4.75%	99/12/09	120,000	114,572
				4,128,000	3,951,436
				$ 4,129,100	$ 3,952,536

5. Furniture and equipment:

			1998	1997
	Cost	Accumulated depreciation	Net book value	Net book value
Furniture and equipment	$ 12,365	$ 7,978	$ 4,387	$ 2,797
Computer equipment	46,706	18,287	28,419	2,148
	$ 59,071	$ 26,265	$ 32,806	$ 4,945

6. Income taxes:

The Corporation has the following tax losses which can be applied to reduce future taxable income.

Year of expiry	Amount
2004	$ 103,168
2005	104,685

7. Change in non-cash operating working capital:

	1998	1997
Receivables	$ (34,195)	$ 37,605
Payables and accruals	10,357	(7,080)
Due to Eagle River Credit Union	35,657	(90,484)
	$ 11,819	$ (59,959)

8. Commitments:

The Corporation has entered into a lease agreement for office space which expires July 31, 1999. The amount of rent payable during 1999 until expiration of the lease is $11,239.

9. Contingencies:

(i) The Corporation has provided a deficiency guarantee to Eagle River Credit Union ("ERCU") in respect to certain loans outstanding in its account which arose out of the amalgamation of the White Hills Credit Union and ERCU on December 31, 1996. In 1998, the Corporation has provided for an amount of $50,587 to be paid under this guarantee. The deficiency guarantee expired on January 1, 1999.

(ii) The Corporation provided funding of $874,374 in the current year to eliminate the deficit of the Bay St. George Credit Union as of the date of the asset acquisition by the Newfoundland and Labrador Credit Union. The Corporation has also provided a deficiency guarantee, which expires June 1, 2000, in respect of certain loans outstanding in the accounts of the Bay St. George Credit Union. At this time, it is not possible to estimate the amount of any payments that might become payable under the guarantee.

(iii) The Corporation is contingently liable for severence pay for certain employees, should they leave employment with the Corporation and not accept a position within the public service.

10. Fair value of financial instruments:

The carrying values of cash, accounts receivable, term deposits and payables and accruals approximate their fair value due to the relatively short periods to maturity of the instruments.

11. Uncertainty Due to the Year 2000 Issue:

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

DIRECTOR OF SUPPORT ENFORCEMENT

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Director of Support Enforcement
Corner Brook, Newfoundland

I have audited the balance sheet of the Director of Support Enforcement as at 31 March 1999 and the statement of receipts and disbursements for the year then ended. These financial statements are the responsibility of the Director. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Director of Support Enforcement as at 31 March 1999 and the receipts and disbursements for the year then ended in accordance with generally accepted accounting principles.

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
4 June 1999

DIRECTOR OF SUPPORT ENFORCEMENT

BALANCE SHEET

31 MARCH 1999

	1999	1998
ASSETS		
Cash	$ 100,666	$ 123,153
Accounts receivable (Note 2)	16,517,805	15,076,398
Other receivables (Note 3)	11,323	7,163
	$16,629,794	$15,206,714
LIABILITIES		
Accounts payable (Note 4)	$16,627,421	$15,205,005
Other payables (Note 5)	2,373	1,709
	$16,629,794	$15,206,714

See accompanying notes

Signed: ______________________
Director

DIRECTOR OF SUPPORT ENFORCEMENT

STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
RECEIPTS		
Regular support	$15,696,811	$14,067,432
Out-of-system support	683,345	714,816
	16,380,156	14,782,248
DISBURSEMENTS		
Regular support	15,719,298	14,018,725
Out-of-system support	683,345	714,816
	16,402,643	14,733,541
Excess of receipts over disbursements (disbursements over receipts)	(22,487)	48,707
Cash, beginning of year	123,153	74,446
Cash, end of year	$ 100,666	$ 123,153

See accompanying notes

DIRECTOR OF SUPPORT ENFORCEMENT

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

The Director of Support Enforcement operates under the authority of the Support Orders Enforcement Act. Under this Act, the Director is responsible for enforcing court ordered support payments and for acting on behalf of the Attorney General in matters arising pursuant to the Reciprocal Enforcement of Support Orders Act.

1. Significant accounting policies

These financial statements have been prepared by the Director of Support Enforcement in accordance with generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Assets and liabilities

Assets are comprised of amounts received or receivable from debtors while liabilities represent the corresponding amount due to creditors.

(b) Receipts and disbursements

Receipts are recorded when amounts are received from debtors and disbursements are recorded when amounts are paid to creditors. Amounts paid directly to creditors by debtors are recorded as out-of-system support while amounts received by the Director of Support Enforcement are recorded as regular support.

2. Accounts receivable

Accounts receivable is comprised of amounts owing from debtors on registered support orders. The receivables are classified as follows:

DIRECTOR OF SUPPORT ENFORCEMENT

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

2. Accounts receivable (cont.)

	1999	1998
Unenforceable support orders		
Debtor out of Province - reciprocal enforcement support orders	$ 7,140,720	$ 6,344,965
Debtor in receipt of social assistance	3,021,995	2,614,984
Stay of enforcement in place	1,431,004	1,329,192
	11,593,719	10,289,141
Enforceable support orders	4,924,086	4,787,257
	$16,517,805	$15,076,398

3. Other receivables

	1999	1998
Recoverable payments	$11,323	$7,163

Recoverable payments represent payments made to creditors when the corresponding debtor cheque was not negotiable or the payment was made in error.

4. Accounts payable

Accounts payable is comprised of amounts owing to creditors in accordance with registered support orders.

	1999	1998
Unenforceable support orders		
Debtor out of Province - reciprocal enforcement support orders	$ 7,140,720	$ 6,344,965
Debtor in receipt of social assistance	3,021,995	2,614,984
Stay of enforcement in place	1,431,004	1,329,192
	11,593,719	10,289,141
Enforceable support orders	5,033,702	4,915,864
	$16,627,421	$15,205,005

5. Other payables

Other payables of $2,373 (1998 - $1,709) represent funds which have not been assigned to any debtor account. These amounts may eventually be paid to the Newfoundland Exchequer Account.

6. Related party transactions

For administrative purposes the Director of Support Enforcement operates as a division of the Department of Justice. Expenses related to salaries, accommodations and administration are paid directly by the Department and no provision is made in these financial statements for those expenditures.

7. Income taxes

The Director of Support Enforcement operates as a division of the Department of Justice and as such is not subject to Provincial or Federal income taxes.

DIRECTOR OF SUPPORT ENFORCEMENT

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

8. Uncertainty due to Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or third parties, will be fully resolved.

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Eastern Health and Community Services Board Operating Fund Financial Statements

March 31, 1999

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Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Auditors' Report

To the Chairman and Members of the
Eastern Health and Community Services Board

We have audited the balance sheet of the Eastern Health and Community Services Board - Operating Fund as at March 31, 1999, and the statement of revenue and expenditure, change in net assets, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Eastern Health and Community Services Board - Operating Fund as at March 31, 1999 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

St. John's, Newfoundland
June 4, 1999

Grant Thornton
Chartered Accountants

P.O. Box 8037
ICON Building
187 Kenmount Road
St. John's
Newfoundland
A1B 3M7
Tel: (709) 722-5960
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Eastern Health and Community Services Board
Operating Fund
Statement of Revenue and Expenditure

Year Ended March 31	1999	1998
Revenue		
Provincial plan	$ 29,761,678	$ 15,645,923
Board fund grant	50,000	
Other income	20	4,706
	29,811,698	15,650,629
Expenditure		
Operating		
Salaries	8,799,997	5,280,760
Benefits	1,591,143	1,062,552
Travel	705,219	411,849
Rent	592,464	360,629
Telephone	328,441	239,989
Medical supplies	207,939	208,537
Miscellaneous	597,203	417,460
	12,822,406	7,981,776
Program		
Family Rehabilitative Program	8,137,791	
Home Support Program	4,099,473	3,942,393
Child Welfare Program	2,969,761	
Personal Care Homes Program	2,171,021	3,259,131
Special Assistance Program	409,280	429,186
Community Corrections Program	100,453	
	17,887,779	7,630,710
	30,710,185	15,612,486
(Deficit) surplus prior to non-shareable items	(898,487)	38,143
Non-shareable items		
Amortization of deferred capital grants	(46,937)	(22,131)
Depreciation	46,937	22,131
Accrued severance expense increase	575,102	123,495
Accrued vacation expense increase	290,715	14,634
	865,817	138,129
Deficit on operations	$ (1,764,304)	$ (99,986)

See accompanying notes to the financial statements.

Eastern Health and Community Services Board
Operating Fund
Balance Sheet

March 31	1999	1998
Assets		
Current		
Cash		$ 827,167
Receivables (Note 3)	$ 1,382,662	109,657
Due from Board Fund	10,177	
Prepaid expenses	263,562	242,789
	1,656,401	1,179,613
Resident trust fund	6,000	4,700
Equipment (Note 4)	104,570	48,478
	$ 1,766,971	$ 1,232,791
Liabilities		
Current		
Bank indebtedness	$ 191,674	
Payables and accruals	1,790,289	$ 1,006,363
Accrued vacation pay	642,059	351,343
Deferred contributions	399,674	
	3,023,696	1,357,706
Resident trust liability	6,000	4,700
Accrued severance pay	1,238,164	663,062
	4,267,860	2,025,468
Deferred contributions – capital	104,570	48,478
	4,372,430	2,073,946
Net Assets		
Unrestricted net assets (deficiency)	(2,605,459)	(841,155)
	$ 1,766,971	$ 1,232,791

Commitments (Note 7)

Uncertainty (Note 8)

On behalf of the Board

Member Mildred Glynn Member

See accompanying notes to the financial statements.

Eastern Health and Community Services Board
Operating Fund
Statement of Changes in Net Assets

Year Ended March 31	1999	1998
Balance, beginning of year		
As previously reported	$ (841,155)	$ (705,640)
Adjustment for amortization of deferred capital grants		(35,529)
As restated	(841,155)	(741,169)
Deficit on operations	(1,764,304)	(99,986)
Balance, end of year	$ (2,605,459)	$ (841,155)

Unrestricted net assets (deficiency) comprised of:	
Balance prior to accrual for unfunded items	$ (725,236)
Vacation pay accrual	(642,059)
Severance pay accrual	(1,238,164)
	$ (2,605,459)

See accompanying notes to the financial statements.

Eastern Health and Community Services Board
Operating Fund
Statement of Changes in Financial Position

Year Ended March 31	1999	1998
Cash derived from (applied to)		
Operating		
Deficit on operations	$(1,764,304)	$ (99,986)
Depreciation	46,937	22,131
Amortization of deferred capital grants	(46,937)	(22,131)
Increase in accrued severance pay	575,102	123,495
	(1,189,202)	23,509
Change in non-cash operating working capital (Note 6)	170,361	530,917
	(1,018,841)	554,426
Financing		
Capital grants Province of Newfoundland	53,029	35,080
Transfer from Board Fund - capital	50,000	
	103,029	35,080
Investing		
Purchase of equipment	(103,029)	(35,080)
Net (decrease) increase in cash	(1,018,841)	554,426
(Bank indebtedness) cash		
Beginning of year	827,167	272,741
End of year	$ (191,674)	$ 827,167

See accompanying notes to the financial statements.

Eastern Health and Community Services Board
Operating Fund
Notes to the Financial Statements
March 31, 1999

1. Nature of operations

The Eastern Health and Community Services Board - Operating Fund provides health promotion, health protection, continuing care and mental health and addictions services to the residents of the communities of the region. In addition, the Board administers the Home Support Program, Personal Care Home Program, Special Assistance Program, Family Rehabilitative Program and Child Welfare and Community Corrections Program.

During 1998-99 Children's Protection, Family and Rehabilitation, and Community Corrections Services were transferred to the Organization's responsibility.

The Board is incorporated under the Health and Community Services Act of Newfoundland and is exempt from income taxes under the Income Tax Act. Effective April 1, 1998 the Board changed its name from Eastern Newfoundland Regional Community Health Board to the Eastern Health and Community Services Board.

Any investment revenue and interest earned on the operating accounts are credited to the Board Fund. Any operating fund deficits are the responsibility of the Board Fund.

The results of the Board Fund are presented in separate financial statements.

2. Summary of significant accounting policies

Accounting for Transactions with the Department of Health and Community Services and Government of Newfoundland and Labrador.

The Board is reimbursed for the total of its operating costs after deduction of specified expenditures, including expenses not approved by the Department.

Effective for the 1996 - 1997 fiscal year, the Board is operating within a three year budgeting process. The final settlement amount for the 1997, 1998, 1999 fiscal years would normally be determined at the end of the third year, however given the transfer of significant new programs to the Board in the current fiscal year, there is uncertainty as to the timing of the end of the three year budget cycle. Any transfer of an operating fund surplus to the Board Fund or any transfer from the Board Fund to finance an operating fund deficit is subject to availability of funds and will be recorded when the amount is confirmed by a final settlement by the Department of Health and Community Services.

Capital assets

Purchases of minor equipment are charged to cost of services in the year they are purchased. Major equipment purchases are recorded at their full cost under capital assets.

2. Summary of significant accounting policies (cont'd)

Depreciation

Depreciation is recorded on the declining balance method at the following rates:

Equipment	6 2/3%
Computer software	20%
Computer equipment	33 1/3%

Severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay rests with employees with nine years of continual service, and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. The amount is payable when the employee ceases employment with the Board.

Deferred contributions

Grants received from government and Board Fund relating to the acquisition of capital assets are recorded as deferred contributions and are amortized on the same basis as the related asset is depreciated. During the year a grant of $22,500 (1998 - $22,500) was received from the Department of Health and Community Services and $50,000 was received from the Board Fund.

Revenue recognition

The Board follows the deferral method of accounting for contributions which include donations and government grants.

Medical supplies

Medical supplies are charged to cost of services when purchased.

3. Receivables

	1999	1998
Province of Newfoundland	**$ 1,200,911**	$ 18,715
Other	**181,751**	90,942
	$ 1,382,662	$ 109,657

4. Equipment

	Cost	Accumulated Depreciation	1999 Net Book Value	1998 Net Book Value
Equipment	$ 12,530	$ 1,505	**$ 11,025**	$ 3,115
Computer software	4,422	1,957	**2,465**	3,081
Computer equipment	160,201	69,121	**91,080**	42,282
	$ 177,153	$ 72,583	**$ 104,570**	$ 48,478

5. Deferred contributions - capital

Capital grants from the Province of Newfoundland and the Board Fund received by the Board are deferred and amortized on a declining balance method consistent with the depreciation rate for the related asset purchased. The changes in the deferred capital grants balance for the year are as follows:

	1999	1998
Balance, beginning of year	**$ 48,478**	$ 35,529
Capital contributions from provincial plan	**53,029**	35,080
Capital contributions from Board Fund	**50,000**	
Amortization for the year	**(46,937)**	(22,131)
Balance, end of year	**$ 104,570**	$ 48,478

6. Change in non-cash operating working capital

	1999	1998
Receivables	**$(1,273,005)**	$ 443,374
Due from Board Fund	**(10,177)**	
Prepaid expenses	**(20,773)**	(2,077)
Payables and accruals	**783,926**	74,986
Accrued vacation pay	**290,716**	14,634
Deferred contributions	**399,674**	
	$ 170,361	$ 530,917

7. Commitments

The Board is committed to minimum annual rentals under lease agreements for office space and equipment as follows:

2000	$ 656,125
2001	$ 505,328
2002	$ 303,297
2003	$ 275,288
2004	$ 272,813

8. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect on entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Board, including those relating to the efforts of customers, suppliers, or other third parties, will be fully resolved.

9. Comparative figures

Certain of the comparative figures have been reclassified to conform to the financial statement presentation adopted for 1999.

THE ENTERPRISE NETWORK INC.

FINANCIAL STATEMENTS

31 MARCH 1998

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Chairperson and Members
The Enterprise Network Inc.
St. John's, Newfoundland

I have audited the balance sheet of The Enterprise Network Inc. as at 31 March 1998 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
23 September 1998

THE ENTERPRISE NETWORK INC.

BALANCE SHEET

31 MARCH 1998

	1998	1997
ASSETS		
Current		
Cash	$ -	$25,551
Accounts receivable (Note 2)	1,217	25,568
	1,217	51,119
Investment in joint venture (Note 3)	1	1
	$1,218	$51,120
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 4)	$1,217	$51,119
Equity		
Capital stock		
Authorized		
Unlimited common shares		
Unlimited non-voting preference shares		
Issued		
1 common share	1	1
	$1,218	$51,120

See accompanying notes

Signed on behalf of the Corporation:

Chairperson

Board Member

THE ENTERPRISE NETWORK INC.

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 1998

	1998	1997
REVENUE		
Operating grants (Note 5)	$517,735	$1,298,428
Other income	21,808	96,938
	$539,543	$1,395,366
EXPENDITURE		
Bad debt expense	$ -	$ 12,016
Capital assets	11,021	26,032
Grants and contributions	-	43,580
Meetings	6,967	3,596
Office	20,083	49,976
Outside professional services	104,092	119,040
Personnel	266,039	784,624
Premises	37,522	110,204
Systems operations	33,551	53,127
Telecommunications	39,805	149,204
Transportation	20,463	43,967
	$539,543	$1,395,366

See accompanying notes

THE ENTERPRISE NETWORK INC.

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

Authority

The Enterprise Network Inc. (the Corporation) is a Crown corporation which was established to promote rural information industry development. The Corporation works in conjunction with the Atlantic Canada Opportunities Agency and receives financial assistance under the Federal/Provincial Strategic Regional Diversification Agreement. Its affairs are managed by a Board of Directors appointed by the Minister of Development and Rural Renewal as agent for the Minister of Industry, Trade and Technology who is the sole shareholder of the Corporation.

In October 1997, the Corporation closed its telecentres and effectively ceased operations. In the same month, the Corporation vacated the office space it was leasing and the Department of Development and Rural Renewal assumed responsibility for the lease commitment.

1. Significant accounting policies

These financial statements have been prepared by the Corporation in accordance with generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Capital assets

All capital assets are charged to expenditure in the year of acquisition.

(b) Investment in joint venture

The Corporation's share in the joint venture operation is accounted for using the proportionate consolidation method.

2. Accounts receivable

	1998	1997
Trade	$12,167	$19,068
Province of Newfoundland	1,066	18,516
	13,233	37,584
Less: allowance for doubtful accounts	12,016	12,016
	$ 1,217	$25,568

3. Investment in joint venture

On 3 August 1995, the Corporation and another venturer formed the joint venture operation of Fast Forward Technologies Inc. for the purpose of developing products and services with market potential within the global information society. Audited financial statements for the operations of Fast Forward Technologies Inc. have not been prepared and therefore an estimate of The Enterprise Network Inc.'s share of the joint venture's assets, liabilities, revenue and expenditure cannot be reasonably estimated. As a result, the Corporation's share of the joint venture operation is recorded at a nominal value of $1.

4. Accounts payable and accrued liabilities

	1998	1997
Trade	$1,217	$35,318
Accrued wages and benefits	-	15,801
	$1,217	$51,119

5. Operating grants

Under the Federal/Provincial Strategic Regional Diversification Agreement, the Corporation is reimbursed by the Federal government (70%) and the Province (30%) for the total of its operating costs net of other income to the extent of its approved budget.

6. Subsequent event

In September 1998, Cabinet authorized the Minister of Industry, Trade and Technology to transfer the Corporation's interest in the joint venture operation of Fast Forward Technologies Inc. to the other joint venturer for $1 and to dissolve The Enterprise Network Inc. as a corporate entity.

7. Pensions

The majority of the Corporation's staff are subject to the Public Service Pensions Act. Employee contributions are matched by the Corporation and then remitted to the Province of Newfoundland Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions for 1998 was $10,095 (1997 - $31,255).

8. Financial instruments

The Corporation's financial instruments recognized in the Balance Sheet consist of accounts receivable, and accounts payable and accrued liabilities, the carrying values of which approximate fair value due to the short-term maturity associated with these instruments.

9. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

ENTERPRISE NEWFOUNDLAND AND LABRADOR CORPORATION

FINANCIAL STATEMENTS

31 MARCH 1998

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Deputy Minister
Department of Development
and Rural Renewal
St. John's, Newfoundland

I have audited the balance sheet of Enterprise Newfoundland and Labrador Corporation as at 31 March 1998 and the statements of equity, revenue and expenditure, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
23 December 1998

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

ENTERPRISE NEWFOUNDLAND AND LABRADOR CORPORATION

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31 MARCH 1998

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STATEMENT 1

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

ENTERPRISE NEWFOUNDLAND AND LABRADOR CORPORATION

BALANCE SHEET

31 MARCH 1998

	1998	1997
ASSETS		
Cash and short term investments	$ 9,650,042	$13,609,732
Accounts receivable	307,640	-
Operating grant receivable	3,000,000	-
Due from Labrador Stores Inc. (Note 2)	95,327	520,223
Loans and equity investments (Note 3)	24,511,435	32,732,272
Investment in Labrador Stores Inc.	1	1
	$37,564,445	$46,862,228
LIABILITIES AND EQUITY		
Accrual for loan guarantees	$ 1,695,000	$ -
Operating grant payable	-	380,508
Non-refundable deposits	33,016	32,706
	1,728,016	413,214
Equity	35,836,429	46,449,014
	$37,564,445	$46,862,228

See accompanying notes

Signed on behalf of the Board:

Deputy Minister

Director of Portfolio Management

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

ENTERPRISE NEWFOUNDLAND AND LABRADOR CORPORATION

STATEMENT OF EQUITY

FOR THE YEAR ENDED 31 MARCH 1998

	1998	1997
Contributed Capital (Note 5)		
Balance, beginning of year	**$89,407,323**	$81,565,531
Capital contributions from the Province of Newfoundland	**7,000,000**	18,002,000
Principal paid to the Province of Newfoundland	**(6,541,471)**	(7,150,839)
Contributions disbursed as grants	**(330,054)**	(149,456)
Principal written off net of recoveries (Note 3)	**(840,146)**	(2,859,913)
Balance, end of year	**88,695,652**	89,407,323
Deficit		
Balance, beginning of year	**(42,958,309)**	(41,281,464)
Transfer severance and redundancy accruals to the Province of Newfoundland	**-**	1,018,433
Investment income paid to Province of Newfoundland	**(2,990,611)**	(3,713,365)
Excess of expenditure over revenue	**(7,750,449)**	(1,841,826)
Principal written off net of recoveries (Note 3)	**840,146**	2,859,913
Balance, end of year	**(52,859,223)**	(42,958,309)
Equity, end of year	**$35,836,429**	$46,449,014

See accompanying notes

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

ENTERPRISE NEWFOUNDLAND AND LABRADOR CORPORATION

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 1998

	1998	1997
REVENUE		
Interest on loans	$ 1,317,427	$ 2,721,762
Investment income	929,048	143,867
	2,246,475	2,865,629
EXPENDITURE		
Forgivable loans (Note 6)	1,146,347	-
Provision for payout on loan guarantees	1,695,000	-
Provision for decline in value of loans receivable and equity investments	7,155,577	4,707,455
	9,996,924	4,707,455
Excess of expenditure over revenue	$(7,750,449)	$(1,841,826)

See accompanying notes

STATEMENT 4

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

ENTERPRISE NEWFOUNDLAND AND LABRADOR CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 1998

	1998	1997
Cash provided by (used in):		
Operating Activities		
Excess of expenditure over revenue	**$(7,750,449)**	$(1,841,826)
Add non-cash items		
Provision for decline in value of loans receivable and equity investments	**7,155,577**	4,707,455
	(594,872)	2,865,629
Changes in other operating items:		
Accounts receivable	**(307,640)**	165,760
Operating grant receivable	**(3,000,000)**	210,189
Accounts payable	**-**	(837,213)
Non-refundable deposits	**310**	4,501
Operating grant payable	**(380,508)**	380,508
Investment income paid to the Province of Newfoundland	**(2,990,611)**	(3,713,365)
Accrual for loan guarantees	**1,695,000**	-
Redundancy pay	**-**	159,657
	(5,578,321)	(764,334)
Financing Activities		
Capital contributions from the Province of Newfoundland	**7,000,000**	18,002,000
Principal paid to the Province of Newfoundland	**(6,541,471)**	(7,150,839)
Contributions disbursed as grants	**(330,054)**	(149,456)
	128,475	10,701,705
Investing Activities		
Increase in loans and equity investments	**(8,041,926)**	(9,622,736)
Collection of loan and equity investments	**9,532,082**	10,438,560
	1,490,156	815,824
Net (decrease) increase in cash	**(3,959,690)**	10,753,195
Cash, beginning of year	**13,609,732**	2,856,537
Cash, end of year	**$ 9,650,042**	$13,609,732

See accompanying notes

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

ENTERPRISE NEWFOUNDLAND AND LABRADOR CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

Authority

Enterprise Newfoundland and Labrador Corporation (the Corporation) was established under the authority of the *Enterprise Newfoundland and Labrador Corporation Act*. The Corporation is funded by the Province of Newfoundland (the Province) and was established for the following purposes:

- Promoting the values of an enterprise culture and encouraging self-reliance throughout the Province;
- Promoting, especially, small and medium-sized enterprises;
- Promoting and assisting in the integration of local economic development and the work of educational institutions; and,
- Developing and implementing programs to provide persons with the information, advice and assistance, both financial and other, needed to facilitate the development of small and medium-sized enterprises.

Effective 14 March 1996, the functions and staff of Enterprise Newfoundland and Labrador Corporation were transferred to the Department of Development and Rural Renewal. Legislated changes to repeal the Board as a separate entity were assented to on 15 December 1998; however, as of 15 February 1999, this legislation has not been proclaimed and therefore, is not in force.

1. Significant accounting policies

The Corporation prepares its financial statements in accordance with generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Short-term investments

Short-term investments are valued at the lower of cost and market value.

(b) Loans receivable

The Corporation records loans receivable at cost. When loans are identified as impaired, the Corporation records an allowance to reduce their carrying values to their estimated realizable amounts. Estimated realizable amounts are measured at discounted cash flows

ENTERPRISE NEWFOUNDLAND AND LABRADOR CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

1. Significant accounting policies (Cont'd)

when the cash flows can be estimated with reasonable reliability, or alternatively, at the estimated net realizable value of the underlying security.

(c) Equity investments

The Corporation records equity investments at cost. In certain circumstances, the Corporation may have acquired the right to appoint representatives to an equity investee's board of directors or it may have a significant influence on the strategic operating, investing and financing policies of the investee. However, because of the nature of the Corporation's investment process and the manner in which these positions were acquired, such control or significant influence may not in fact be exercised or the Corporation may not intend to maintain such positions. Accordingly the accounts of the investee companies in which the Corporation holds greater than 20 percent of the voting rights are accounted for on the cost basis.

Provision is made by the Corporation for any decline in the value of investee companies which is considered to be other than temporary.

(d) Revenue recognition

Interest income is accounted for on the accrual basis for all loans other than impaired loans. Recognition of interest in accordance with the terms of the original loan agreement cease when a loan becomes impaired. A loan is classified as impaired when, in the opinion of management, there is reasonable doubt as to the ultimate collectibility of a portion of principal or interest, or when payment is contractually past due 90 days. Impaired loans may revert to accrual status only when principal and interest payments have become fully current again.

Dividends are recorded as income when received.

2. Due from Labrador Stores Inc.

During the 1995-96 fiscal year, Labrador Stores Inc., discontinued operations. It is the intention of management to dissolve the company when the proceeds of the sale have been applied against its outstanding loan with the Corporation.

2. Due from Labrador Stores Inc. (Cont'd)

Due from Labrador Stores Inc. consists of the following:

	1998	1997
Loan receivable	$500,000	$1,000,000
Interest receivable	156,295	156,295
	656,295	1,156,295
Less allowance for doubtful accounts	560,968	636,072
	$ 95,327	$ 520,223

The allowance for the decline in value of loans receivable and equity investments consists of the following:

	1998	1997
Balance, beginning of year	$636,072	$806,295
Provision for loss	(75,104)	(170,223)
Balance, end of year	$560,968	$636,072

During the year ended 31 March 1996 Labrador Stores ceased operations. However, the proceeds from the sale could not be applied against the loan receivable due to possible contingencies on account of severance pay required for its former employees. This issue was still outstanding during 1997-98 and, therefore, $100,000 of the proceeds has not been applied to the loan until the severance pay issue is resolved. Approval will then be sought to write off the balance and legal dissolution of the company will be initiated.

Amounts advanced to Labrador Stores Inc. have been written down to their net realizable value.

3. Loans and equity investments

The determination of whether a loan is impaired and the appropriate carrying value of equity investments, involves significant judgement. The estimation of an appropriate allowance for doubtful accounts and decline in value of equity investments necessarily involves the use of estimates. These financial statements represent management's best estimates based on available information.

ENTERPRISE NEWFOUNDLAND AND LABRADOR CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

3. Loans and equity investments (Cont'd)

Loans and equity investments consist of the following:

	1998	1997
Loans receivable		
Principal due and unpaid	$ 14,718,059	$ 12,173,835
Principal not yet due	43,948,478	48,166,549
Interest due and unpaid	787,674	1,839,475
	59,454,211	62,179,859
Less allowance for decline in value	(39,724,663)	(33,267,948)
	19,729,548	28,911,911
Equity investments		
Equity investments, at cost	17,936,029	17,368,492
Less allowance for decline in value	(13,154,142)	(13,548,131)
	4,781,887	3,820,361
Loans and equity investments	$ 24,511,435	$ 32,732,272

The allowance for the decline in value of loans receivable and equity investments consists of the following:

	1998	1997
Balance, beginning of year	$46,816,079	$46,137,002
Principal written off, net of recoveries	(840,146)	(2,859,913)
Interest written off, net of recoveries	(327,809)	(1,338,688)
Provision for loss	7,230,681	4,877,678
Balance, end of year	$52,878,805	$46,816,079

3. Loans and equity investments (Cont'd)

The allowance for decline in value has been reduced by write-offs approved by the Corporation and is subject to final approval by the Lieutenant-Governor in Council, in accordance with Section 17 of the Financial Administration Act.

Of the principal amounts written off by the Corporation, approximately $15,700,146 (1997 - $14,860,000) relating to loan and equity investments has yet to receive final approval from the Lieutenant-Governor in Council.

The Corporation is required to remit all payments it receives on its loan and equity investments net of security costs and bond interest expense to the Province.

4. Loan commitments

The Corporation has outstanding commitments in respect of approved but not yet disbursed loans and/or equity investments in the amount of $3,844,252 (1997- $3,671,557). Funding sources for these commitments are cash on hand with the remainder to be provided by the Province. In addition to these loan commitments the Corporation has outstanding loan guarantees of $2,845,000. A provision for payouts on these guarantees has been recorded at $1,695,000.

5. Contributed capital

The Corporation receives capital contributions from the Province for the purpose of making loan and equity investments. The Corporation depends on these capital contributions to carry out its mandate.

The account is reduced by the principal portion of loans collected, the principal portion of loans written off, and by contributions which the Corporation disburses as grants under its Company Development Program.

6. Forgivable loans

A sum of $10 million from savings realized by Government in the 1996-97 fiscal year has been invested in the Strategic Enterprise Development Fund. This is over and above normal annual allocations to the Strategic Enterprise Development Fund and is intended to strengthen the Department's overall small business development efforts over the short term. As of 31 March 1998, $1.8 million of these funds has been disbursed as forgivable loans

ENTERPRISE NEWFOUNDLAND AND LABRADOR CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

6. Forgivable loans (Cont'd)

while the remaining $8.2 million has been committed for the 1998-99 fiscal year. $653,653 of the $1.8 million has been recorded as loans receivable and also included in the allowance for doubtful accounts, since the recipient defaulted on the terms of the loan. As at 31 March 1998, $974,382 is still unearned by the recipient and may be refundable to the Corporation if the recipient fails to meet the terms of the loan.

7. Related party transactions

The Corporation was administered throughout the year as a division of the Department of Development and Rural Renewal. Expenses related to salaries, accommodations and administration are paid directly by the Department and no provision is made in these financial statements to reflect those expenditures.

8. Economic dependence

As a result of the Corporation's reliance on Provincial funding, the Corporation's ability to continue viable operations is dependent upon the decisions of the Province.

9. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

10. Uncertainty due to Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could not affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or other third parties, will be fully resolved.

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FARM DEVELOPMENT LOAN BOARD

FARM DEVELOPMENT LOAN FUND

FINANCIAL STATEMENTS

31 MARCH 1998

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Deputy Minister
Department of Development
and Rural Renewal
St. John's, Newfoundland

I have audited the balance sheet of the Farm Development Loan Board of Newfoundland, Farm Development Loan Fund as at 31 March 1998 and the statements of equity, revenue and expenditure, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at 31 March 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
6 November 1998

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FARM DEVELOPMENT LOAN BOARD

FARM DEVELOPMENT LOAN FUND

BALANCE SHEET

31 MARCH 1998

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STATEMENT 1

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FARM DEVELOPMENT LOAN BOARD

FARM DEVELOPMENT LOAN FUND

BALANCE SHEET

31 MARCH 1998

	1998	1997
ASSETS		
Cash	$ 138,946	$ 599,275
Loans receivable (Note 2)	4,254,945	6,823,361
Insurance premiums receivable	9,913	7,569
	$4,403,804	$7,430,205
LIABILITIES AND EQUITY		
Due to Enterprise Newfoundland and Labrador Corporation	$ 56,949	$ -
Insurance premiums received in advance	-	1,411
Insurance premiums payable	2,235	3,162
	59,184	4,573
Equity	4,344,620	7,425,632
	$4,403,804	$7,430,205

See accompanying notes

Signed on behalf of the Board:

Deputy Minister

Director of Portfolio Management

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FARM DEVELOPMENT LOAN BOARD

FARM DEVELOPMENT LOAN FUND

STATEMENT OF EQUITY

FOR THE YEAR ENDED 31 MARCH 1998

	1998	1997
Contributed capital (Note 4)		
Balance, beginning of year	**$10,328,968**	$11,576,487
Capital contributions from the Province	-	98,000
Principal paid to the Province	**(1,606,500)**	(1,340,018)
Principal written off	**(109,364)**	(5,501)
Balance, end of year	**8,613,104**	10,328,968
Deficit (Note 5)		
Balance, beginning of year	**(2,903,336)**	(2,847,584)
Excess of (expenditure over revenue) revenue over expenditure	**(1,073,236)**	217,166
Insurance commissions remitted to Province	**(694)**	(2,919)
Investment income remitted to Province	**(13,607)**	(37,167)
Interest remitted to Province	**(386,975)**	(238,333)
Principal written off	**109,364**	5,501
Balance, end of year	**(4,268,484)**	(2,903,336)
Equity, end of year	**$ 4,344,620**	$ 7,425,632

See accompanying notes

STATEMENT 3

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FARM DEVELOPMENT LOAN BOARD

FARM DEVELOPMENT LOAN FUND

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 1998

	1998	1997
REVENUE		
Interest on loans (Note 6)	$ 497,201	$569,165
Investment income	5,040	13,607
Insurance commissions	2,105	694
	504,346	583,466
EXPENDITURE		
Bad debt expense	1,577,527	366,145
Miscellaneous expenses	55	155
	1,577,582	366,300
Excess of (expenditure over revenue) revenue over expenditure	$(1,073,236)	$217,166

See accompanying notes

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FARM DEVELOPMENT LOAN BOARD

FARM DEVELOPMENT LOAN FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 1998

	1998	1997
Cash provided by (used in):		
Operating activities		
Excess of (expenditure over revenue) revenue over expenditure	$(1,073,236)	$ 217,166
Add (deduct) non-cash items		
Bad debt expense	1,577,527	366,145
Interest accrued on loans and not received	(197,059)	(227,455)
Interest remitted to Province	(386,975)	(238,333)
Interest refunds	(44,949)	(2,309)
Expenditures by Enterprise Newfoundland and Labrador Corporation pertaining to farm accounts	56,949	-
	(67,743)	115,214
Financing activities		
Advances from Province	-	98,000
Principal paid to Province	(1,606,500)	(1,340,018)
	(1,606,500)	(1,242,018)
Investing activities		
Life insurance premium proceeds	3,753	15,818
Insurance commissions remitted to Province	(694)	(2,919)
Investment income remitted to Province	(13,607)	(37,167)
Life insurance payments	(6,808)	(18,747)
Loan repayments	1,250,695	1,811,967
Loan advances	(800)	(648,931)
Loan refunds	(18,625)	(7,086)
	1,213,914	1,112,935
Decrease in cash	(460,329)	(13,869)
Cash, beginning of year	599,275	613,144
Cash, end of year	$ 138,946	$ 599,275

See accompanying notes

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FARM DEVELOPMENT LOAN BOARD

FARM DEVELOPMENT LOAN FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

Authority

The Farm Development Loan Board of Newfoundland (the Board) was established under the authority of the *Farm Development Loan Act*. The Board was established to improve and develop the agricultural industry of the Province by making loans or advances to eligible individuals or organizations.

Effective 14 March 1996, the functions and staff of the Farm Development Loan Board were transferred to the Department of Development and Rural Renewal. Legislated changes to repeal the Board as a separate entity were assented to on 15 December 1998; however, as of 15 February 1999, this legislation has not been proclaimed and therefore, is not in force.

1. Significant accounting policies

These financial statements have been prepared by the Board in accordance with generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Loans receivable

The Board records loans receivable at cost. Once loans are identified as impaired, an allowance is recorded reducing the carrying amounts of the loans to their estimated realizable value. Estimated realizable value is determined by a percentage formula based on years in arrears.

(b) Interest forgiveness

Interest forgiveness is recorded as a reduction in interest on loans.

2. Loans receivable

	1998	1997
Principal due and unpaid	$3,955,901	$3,937,064
Interest due and unpaid	1,037,607	876,159
Principal not yet due	4,533,357	5,892,827
	9,526,865	10,706,050
Less: allowance for impaired loans (Note 3)	5,271,920	3,882,689
	$4,254,945	$6,823,361

2. Loans receivable (Cont.)

There are no more funds being advanced from the Farm Development Loan Fund. All monies now being advanced to farmers are disbursed from the Enterprise Development Fund.

3. Allowance for impaired loans

The allowance for impaired loans represents the Board's best estimate of future probable losses with respect to the loans receivable. The Board recognizes that future economic and farming industry conditions are not predictable and therefore, their impact on the future cash flows anticipated from the loans receivable is uncertain. Consequently, material adjustments to the allowance are possible depending on the impact of these future events and management's best estimate of them.

4. Contributed capital

This account is comprised of the accumulated advances from the Province since the Board was founded in 1953, reduced by the principal portion of loans received and paid to the Province and the principal portion of loans written off.

5. Deficit

This account is comprised of accumulated excess of expenditure over revenue since the Board was founded in 1953, increased by investment income, insurance premium and interest, all of which were collected and paid to the Province, and reduced by the principal portion of loans written off.

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FARM DEVELOPMENT LOAN BOARD

FARM DEVELOPMENT LOAN FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

6. Waiving, forgiveness or cessation of interest

In exceptional circumstances the Board will approve the waiving, forgiveness or cessation of interest. For the 1998 fiscal year this amounted to $158,249 (1997-$111,445) comprised of the following:

	1998	1997
Interest waived:		
Interest waived by the Board	$ 48,478	$ 57,267
Interest waived on Fox Farmers' Capital Expansion loans	30,838	36,188
	79,316	93,455
Interest forgiven:		
Interest forgiven by the Board	78,933	17,990
	$158,249	$111,445

7. Economic dependence

As a result of the Board's reliance on Provincial funding, the Board's ability to continue viable operations is dependent upon the decisions of the Province.

8. Related party transactions

The Board was administered during the year as a division of the Department of Development and Rural Renewal. Expenses related to salaries, accommodations and administration are paid directly by the Department and no provision is made in these financial statements for those expenditures.

9. Income taxes

The Board is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FARM DEVELOPMENT LOAN BOARD

FARM DEVELOPMENT LOAN FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

10. Uncertainty due to Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or other third parties, will be fully resolved.

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

FINANCIAL STATEMENTS

31 MARCH 1998

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Deputy Minister
Department of Development
and Rural Renewal
St. John's, Newfoundland

I have audited the balance sheet of the Fisheries Loan Board of Newfoundland, Fisheries Loan Fund as at 31 March 1998 and the statements of equity, revenue and expenditure, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at 31 March 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
18 December 1998

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

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31 MARCH 1998

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STATEMENT 1

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

BALANCE SHEET

31 MARCH 1998

	1998	1997
ASSETS		
Cash	$ -	$ 297,176
Investment income receivable	2,938	1,429
Loans receivable (Note 2)	6,137,222	8,503,521
Due from Province of Newfoundland (Note 4)	82,280	109,319
	$6,222,440	$8,911,445
LIABILITIES AND EQUITY		
Bank indebtedness	$ 2,838	$ -
Borrowers' deposits	88,611	145,851
Life insurance premiums	914	914
Due to Enterprise Newfoundland and Labrador Corporation	257,791	-
	350,154	146,765
Equity	5,872,286	8,764,680
	$6,222,440	$8,911,445

Contingent liabilities (Note 5)

See accompanying notes

Signed on behalf of the Board: **Deputy Minister** **Director of Portfolio Management**

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

STATEMENT OF EQUITY

FOR THE YEAR ENDED 31 MARCH 1998

	1998	1997
Contributed capital (Note 6)		
Balance, beginning of year	**$ 29,241,866**	$ 33,395,703
Principal paid to the Province of Newfoundland (Note 7)	**(3,760,418)**	(3,881,128)
Principal written off	**(284,997)**	(272,709)
Balance, end of year	**25,196,451**	29,241,866
Deficit (Note 8)		
Balance, beginning of year	**(20,477,186)**	(17,570,330)
Interest paid to the Province of Newfoundland (Note 7)	**(1,687,389)**	(2,097,034)
Excess of revenue over expenditure (expenditure over revenue)	**2,555,413**	(1,082,531)
Principal written off	**284,997**	272,709
Balance, end of year	**(19,324,165)**	(20,477,186)
Equity, end of year	**$ 5,872,286**	$ 8,764,680

See accompanying notes

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 1998

	1998	1997
REVENUE		
Interest on loans (Note 9)	$ 337,860	$ 442,536
Investment income	23,590	117,034
Recovery of impaired loans	2,194,050	-
	2,555,500	559,570
EXPENDITURE		
Miscellaneous expenses	87	-
Provision for impaired loans	-	1,642,101
	87	1,642,101
Excess of revenue over expenditure (expenditure over revenue)	$2,555,413	$(1,082,531)

See accompanying notes

STATEMENT 4

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 1998

	1998	1997
Cash provided by (used in):		
Operating activities		
Excess of revenue over expenditure (expenditure over revenue)	$ 2,555,413	$(1,082,531)
Add (deduct) non-cash items:		
(Recovery of) provision for impaired loans	(2,194,050)	1,642,101
Interest on loans	(337,860)	(442,536)
Change in investment income receivable	(1,509)	10,560
Expenditure by Enterprise Newfoundland and Labrador Corporation pertaining to fisheries accounts	270,266	-
Interest received on loans receivable	1,527,397	1,593,856
Interest and investment income paid to the Province of Newfoundland	(1,687,389)	(2,097,034)
	132,268	(375,584)
Financing activities		
Funding for interest subsidy from the Province of Newfoundland	133,446	275,663
Payments under interest subsidy	(106,407)	(384,982)
Principal paid to the Province of Newfoundland	(3,760,418)	(3,881,128)
Refund of interest subsidy to the Province of Newfoundland	-	(1,519,032)
	(3,733,379)	(5,509,479)
Investing activities		
Loan advances and repossession expenses	(75,601)	(806,267)
Principal instalments on loans receivable	3,451,193	3,717,712
Marine insurance payments	5,442	71,715
Provincial Bounty on loans advanced	(79,937)	126,294
Loan downpayments	-	105,197
	3,301,097	3,214,651
Decrease in cash	(300,014)	(2,670,412)
Cash, beginning of year	297,176	2,967,588
(Bank indebtedness) cash, end of year	$ (2,838)	$ 297,176

See accompanying notes

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

Authority

The Fisheries Loan Board of Newfoundland (the Board) was established under the authority of the *Fisheries Loan Act*. The Board was established to improve and develop the fishing industry of the Province by making loans or advances to persons or organizations engaged in the fishing industry.

Effective 14 March 1996, the functions and staff of the Fisheries Loan Board of Newfoundland were transferred to the Department of Development and Rural Renewal. Legislated changes to repeal the Board as a separate entity were assented to on 15 December 1998; however, as of 15 February 1999, this legislation has not been proclaimed and therefore, is not in force.

As a result of the transfer of the functions of the Board to the Department of Development and Rural Renewal, all fisheries loans approved subsequent to 16 May 1996 were advanced from the Enterprise Development Fund.

These financial statements reflect the operations of the Fisheries Loan Board, Fisheries Loan Fund for the year ended 31 March 1998.

1. Significant accounting policies

These financial statements have been prepared by the Board in accordance with generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Loans receivable

The Board records loans receivable at cost. Once loans are identified as impaired, an allowance is recorded reducing the carrying amounts of the loans to their estimated realizable value. The allowance for impairment is estimated collectively based on an analysis of the loan portfolio in terms of arrears, aging, payment activity and security.

(b) Repossessed accounts

Repossessed accounts are recorded at their estimated net realizable value based on historic recovery rates for repossessed vessels.

(c) Interest forgiveness

Interest forgiveness is recorded as a reduction in interest on loans.

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

1. **Significant accounting policies (cont.)**

(d) Interest on impaired loans

When a loan becomes impaired, interest revenue from that loan ceases to be reported. Upon collection of the arrears balances on impaired loans, recognition of interest revenue is resumed.

2. **Loans receivable**

	1998	1997
Current		
Principal due within one year	$ 1,566,467	$ 2,252,620
Principal due and unpaid	22,608,574	23,457,084
Interest due and unpaid	5,416,206	6,766,744
Interest accrued	60,160	108,534
	29,651,407	32,584,982
Long-term		
Principal not yet due	2,887,566	5,013,257
	32,538,973	37,598,239
Less: allowance for impaired loans (Note 3)	26,401,751	29,094,718
	$ 6,137,222	$ 8,503,521

During 1997/98 Fisheries and Farm Development Loans Inc. (FFDLI), a wholly owned subsidiary of Enterprise Newfoundland and Labrador Corporation, acted as agent of the Fisheries Loan Board. FFDLI entered into loan agreements on behalf of the Board which resulted in a total of $18,416 being advanced during 1997/98. These transactions are included in the loans receivable reported for the Board at 31 March 1998.

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

3. Allowance for impaired loans

	1998	1997
Balance, beginning of year	$29,094,718	$27,898,036
Loans written off, net of recoveries	(498,917)	(445,419)
(Recovery of) provision for impaired loans	(2,194,050)	1,642,101
Balance, end of year	$26,401,751	$29,094,718

The allowance for impairment at 31 March 1998 includes estimates for the following loans:

	Loan Balance	Allowance for Impaired Loans
Boats repossessed and sold or accounts with no security	$ 9,859,858	$9,859,858
Boats repossessed and not yet sold	845,175	676,140
Loan portfolio upon which a collective allowance has been estimated	21,833,940	15,865,753
	$32,538,973	$26,401,751

The allowance for impaired loans represents the Board's best estimate of future probable losses with respect to the loans receivable. The Board recognizes that future economic and fishing industry conditions, such as the ground fish moratoria, government income support programs, and availability of resources, are not predictable. The impact of these conditions on the future cash flows anticipated from the loans receivable is uncertain. Consequently, material adjustments to the allowance are possible depending on the impact of these future events and management's best estimate of them.

4. Due from Province of Newfoundland

The Board pays an interest subsidy for the interest charges on guaranteed bank loans equal to the difference between the bank's interest rate and the Board's interest rate when the loan was approved. These payments are subsequently recovered from the Province. During the year the Board paid $106,407 (1997 - $384,982) in interest subsidies and recovered $133,446 (1997 - $275,663) from the Province. At 31 March 1998, the Province owed the Board $82,280 for interest subsidies paid during the year.

5. Contingent liabilities

(a) A client of the Board has taken legal action as a result of certain alleged technical problems that the client claims to have experienced with a vessel that was financed through the Fisheries Loan Board Program. The amount of this potential claim is in the $900,000 to $1,100,000 range. The outcome of this claim cannot be predicted at this time.

(b) A client has filed a Notice of Intended Action against Her Majesty the Queen in right of Newfoundland and the Board because of an alleged breach of a bounty agreement. The client will be seeking an estimated $143,700 plus interest. The Statement of Claim issued in relation to this matter was acknowledged by both parties to be defective due to non-compliance with the Proceedings Against the Crown Act. There has been no further activity in relation to this claim since the summer of 1991.

(c) Two clients have filed counter claims against the Board's legal action to collect the clients' deficiency loan balances. The clients are claiming that the Board repossessed and sold their vessels for an amount less than the fair market value. In addition, the clients are claiming that the total proceeds from the sale of their vessels was not credited towards their outstanding balance. The amount of both claims is estimated at $50,000. In the opinion of the Board there is a good defence to these counter claims.

(d) There are three counter claims against the Board in relation to actions commenced by the Board to collect the deficiency balances owing on vessels that have been repossessed and sold. The total of these three counter claims is not expected to exceed $39,000. In the opinion of the Board there is a good defence to these counter claims.

(e) A client of the Board has taken legal action claiming that the marine inspectors of the Board were negligent in performing their survey of the vessel at the time financing was being considered. The Plaintiffs are claiming general damages. The estimated value of the claim and the outcome of this matter cannot be predicted at this time.

DEPARTMENT OF DEVELOPMENT AND RURAL RENEWAL

FISHERIES LOAN BOARD OF NEWFOUNDLAND

FISHERIES LOAN FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

5. Contingent liabilities (Cont.)

(f) Two clients of the board have taken legal action claiming that the Board repossessed and sold their vessel without following proper legal procedure. The claimants are seeking a declaration that they are free from liability under the original Ship's Mortgage and other relief as could be granted by the court. The deficiency balance of the mortgage is approximately $80,000 plus interest. In the opinion of the Board there is a good defence to this action.

(g) There is a Third Party claim against Her Majesty the Queen in Right of Newfoundland and the Board by the Defendants in an action by a Bank to collect the deficiency balance on a loan to the Defendants. The Defendants are seeking indemnification and contribution for approximately $400,000 plus interest. A defence will be filed in this action. The outcome of this matter cannot be predicted at this time.

6. Contributed capital

Prior to the transfer of its responsibilities to the Department of Development and Rural Renewal, the Board received capital contributions from the Province of Newfoundland to be deposited into the Fisheries Loan Fund for the purpose of making loans or advances to fishers and to other persons, associations, societies or companies engaged either directly or indirectly in the catching, handling, processing, or distribution of fish or fish products. The Board depended on these capital contributions to carry out its mandate.

The account is comprised of capital contributions from the Province, reduced by the principal portion of loans received and paid to the Province and the principal portion of loans written off.

7. Payments to the Province of Newfoundland

An amendment made to the Fisheries Loan Act in 1985 regarding collections on loans receivable required the Board to pay into the Consolidated Revenue Fund, out of the Fisheries Loan Fund, such monies as directed by the Lieutenant-Governor in Council. The Lieutenant-Governor in Council directed that the interest portion of all loan payments be remitted to the Consolidated Revenue Fund and the principal portion of all loan payments be remitted to the department responsible.

8. Deficit

This account is comprised of an accumulated excess of expenditure over revenue increased by interest collected on loans and paid to the Province and reduced by the principal portion of loans written off.

9. Interest on loans

Effective 1 April 1995, the Board adopted an accounting policy to cease recognition of interest income on loans when they become impaired. This policy resulted in a reduction in interest revenue recognized for the year ended 31 March 1998 of $1,915,782 (1997 - $1,832,698). The policy was not retroactively applied because the necessary financial information was not reasonably determinable.

10. Related party transactions

The Board was administered during the year as a division of the Department of Development and Rural Renewal. Expenses related to salaries, accommodations and administration are paid directly by the Department and no provision is made in these financial statements for those expenditures.

11. Groundfish Moratoria

On 2 July 1992, the Government of Canada announced a moratorium on the northern cod fishery, affecting clients on the Labrador and Northeast coasts. On 31 August 1993, a moratorium was also announced for the South Coast and Southwest Coast fishery and included reduced quotas in the Gulf Region fishery.

Subsequent cod quota reductions have effectively closed the entire cod fishery in the Province. The recovery of the groundfish stocks is anticipated to be very slow. Consequently, the Federal Government's Atlantic Groundfish Strategy Program (TAGS) introduced on 19 April 1994, provided for a four year adjustment period of income support payments and offered programs for both early retirement and licence retirement. On 16 December 1997, the Government of Canada announced that it would continue paying income support under the TAGS Program until the end of August 1998. On 10 February 1998 the Post-TAGS Review Report, which assesses the impact of the end of TAGS on provinces, communities, families and individuals in Atlantic Canada and Quebec was released.

On 24 October 1996, the Fisheries Resource Conservation Council (FRCC) recommended the cautious and prudent low level re-opening of commercial cod fisheries in southern Newfoundland, eastern and northern Gulf of St. Lawrence and southern Gulf of St. Lawrence and Sydney Bight. The recommendations were contained in the FRCC's report to the federal Minister of Fisheries and Oceans on 1997 conservation requirements for Atlantic groundfish stocks. The mandate of the Council is to advise the Minister on the conservation and sustainability of Atlantic fish stocks. On 17 April 1997 the Minister of Fisheries and Oceans announced a low level re-opening of the commercial cod fisheries in southern Newfoundland, Gulf of St. Lawrence and Sydney Bight.

On 27 May 1998 the Minister announced that due to the few signs of stock recovery, the moratoria on commercial fishing for 1998 was in place for all areas of Newfoundland and Labrador with the exception of southern Newfoundland. For this area only, a low level commercial cod fishery was permitted. The

11. Groundfish Moratoria (Cont.)

Minister did report that an index and experimental fishery would be carried out for southern Labrador, the northern Grand Banks and the northern and southern Gulf of St. Lawrence. In May 1999 the Minister will make a decision on this issue for the 1999 fishery.

12. Subsequent event - settlement of legal claim

A Statement of Claim against the Board and Her Majesty the Queen in right of Newfoundland resulted in the Supreme Court of Newfoundland deciding in favor of the plaintiff on 31 July 1998. On 4 September 1998 the Court awarded costs of $1.8 million to the plaintiff. This amount was subsequently paid by the Department of Justice in January 1999 and therefore, is not reflected in these financial statements.

13. Economic dependence

As a result of the Board's reliance on Provincial funding, the Board's ability to continue viable operations is dependent upon the decisions of the Province.

14. Income taxes

The Board is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

15. Uncertainty due to Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or other third parties, will be fully resolved.

GRENFELL REGIONAL HEALTH SERVICES BOARD

OPERATING FUND

REPORT AND FINANCIAL STATEMENTS

MARCH 31, 1999

Deloitte &
Touche

Deloitte & Touche LLP
Fort William Building
10 Factory Lane
St. John's, Newfoundland
A1C 6H5

Telephone: (709) 576-8480
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AUDITORS' REPORT

To the Members,
Grenfell Regional Health Services Board

We have audited the Operating Fund balance sheet of **Grenfell Regional Health Services Board** as at March 31, 1999 and the Operating Fund statement of revenues, expenditures and fund balance and the Operating Fund statement of changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Operating Fund as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Deloitte + Touche LLP

Deloitte & Touche LLP

St. John's, Newfoundland,
June 11, 1999.

GRENFELL REGIONAL HEALTH SERVICES BOARD

OPERATING FUND

BALANCE SHEET AS AT MARCH 31, 1999

	1999	1998
ASSETS		
Current		
Accounts receivable	$ 670,548	$ 620,789
Inventories (Note 2)	548,738	594,458
Prepaid expenses	954,594	881,870
Due from Province of Newfoundland and Labrador	1,822,846	360,082
	3,996,726	2,457,199
Segregated cash	92,882	51,245
Capital assets (Note 3)	9,498,607	9,329,211
Capital assets under construction (Note 4)	-	451,978
	$ 13,588,215	$ 12,289,633
LIABILITIES AND DEFICIT		
Current		
Bank indebtedness	$ 1,385,043	$ 490,194
Accounts payable and accrued liabilities	2,316,730	2,297,528
Due to Board Fund	2,764,664	2,144,306
Accrued vacation pay	1,459,992	1,253,569
Current portion of long term debt (Note 5)	21,300	19,600
Deferred grants - capital (Note 6)	937,635	656,408
- operating (Note 6)	241,640	407,613
	9,127,004	7,269,218
Accumulated severance pay	2,955,376	2,593,462
Long term debt (Note 5)	890,515	910,411
Deferred capital contributions (Note 7)	8,384,482	8,147,978
	21,357,377	18,921,069
Net assets (deficiency)		
Net assets invested in capital assets	202,310	251,222
Unrestricted net assets	(7,971,472)	(6,882,658)
	(7,769,162)	(6,631,436)
	$ 13,588,215	$ 12,289,633

Contingency (Note 9)

Approved on Behalf of the Board:

Director ____________ Director ____________

See accompanying notes to financial statements.

GRENFELL REGIONAL HEALTH SERVICES BOARD
OPERATING FUND

STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 1999

	1999	1998
Revenues		
Provincial plan	$ 24,080,623	$ 21,675,590
MCP physician revenue	4,197,505	3,967,333
Inpatient	475,904	554,555
Outpatient	98,853	58,997
Long term care	569,568	569,748
Dental revenue	564,575	518,269
Drug recoveries	488,175	448,437
Medical income	69,910	68,109
Ambulance income	74,937	63,678
Miscellaneous income	226,724	16,827
	30,846,774	27,941,543
Expenditures		
Administration	2,743,690	2,657,869
Support services	5,968,304	5,712,519
Nursing inpatient services	6,186,963	5,667,461
Ambulatory care services	4,687,602	4,527,638
Diagnostic and therapeutic	2,897,028	2,854,470
Medical services	5,097,964	4,758,424
Education	512,473	316,568
Health and community services	3,298,834	1,566,600
Undistributed	190,391	24,336
	31,583,249	28,085,885
Deficit prior to other operations	(736,475)	(144,342)
Other operations income (expense)		
Air ambulance services	(590,758)	(457,147)
Adjustment for prior years' deficits	850,000	-
Deficit including other operations	(477,233)	(601,489)
Adjustments for non-shareable items		
Amortization of deferred capital contributions	994,985	994,006
Amortization of capital assets	(1,087,141)	(987,812)
Accrued vacation	(206,423)	(14,874)
Accrued severance	(361,914)	(49,208)
Excess of expenditures over revenues	(1,137,726)	(659,377)
Fund balance, beginning of the year	(6,631,436)	(5,972,059)
Fund balance, end of the year	$ (7,769,162)	$ (6,631,436)

See accompanying notes to financial statements.

GRENFELL REGIONAL HEALTH SERVICES BOARD
OPERATING FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1999

	1999	1998
Cash provided from (used in)		
Operating activities		
Excess of expenditures over revenues	$ (1,137,726)	$ (659,377)
Items not affecting cash		
Amortization of deferred capital contributions	(994,985)	(994,006)
Amortization of capital assets	1,087,141	987,812
	(1,045,570)	(665,571)
Net increase in non-cash working capital	(578,286)	(1,317,489)
Increase in accumulated severance pay	361,914	49,208
	(1,261,942)	(1,933,852)
Investing activities		
Purchase of capital assets	(1,256,541)	(1,350,445)
Net decrease (increase) in capital assets under construction	451,978	(24,007)
	(804,563)	(1,374,452)
Financing activities		
Repayment of long term debt	(18,196)	(15,514)
Increase in deferred capital contributions	1,231,489	1,363,503
	1,213,293	1,347,989
Increase in bank indebtedness	(853,212)	(1,960,315)
Bank indebtedness, beginning of the year	(438,949)	1,521,366
Bank indebtedness, end of the year	$ (1,292,161)	$ (438,949)
Comprised of :		
Bank indebtedness	$ (1,385,043)	$ (490,194)
Segregated cash	92,882	51,245
	$ (1,292,161)	$ (438,949)

See accompanying notes to financial statements.

GRENFELL REGIONAL HEALTH SERVICES BOARD
OPERATING FUND

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999

1. Significant accounting policies

The financial statements of the Board have been prepared within the framework of generally accepted accounting principles, the more significant of which are as follows:

Basis of accounting

The Board employs fund accounting, classifying financial statement items in either the Operating Fund or Board Fund. These funds together comprise the Combined Funds.

The Operating Fund includes the primary operations and the operating assets and liabilities of the Board. Revenues (including grants and subsidies) and expenditures relate primarily to the provision of health services and long term nursing care.

Revenue and expenditure recognition

The Board follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Unrestricted contributions are recognized as revenue when received or receivable if the amount can be reasonably estimated and collection is reasonably assumed. Endowment contributions are recognized as direct increases in net assets.

Inventories

Inventories consist of medical, surgical and general supplies, drugs, fuel oil and aircraft parts. Medical, surgical and general supplies are valued at the lower of cost, determined on an average cost basis, and net realizable value. Drugs, fuel oil and aircraft parts are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Capital assets

Capital assets are recorded at cost. The Charles S. Curtis Memorial Hospital and the John M. Gray Centre are not recorded as assets of the Board since the Board does not hold title to them.

The costs related to projects under construction at the year end are deferred until the year of completion, at which time the cost of the asset is capitalized.

GRENFELL REGIONAL HEALTH SERVICES BOARD
OPERATING FUND

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999

1. Significant accounting policies (Continued)

Capital assets (Continued)

Amortization is recorded in the financial statements using the following amortization policies:

Buildings	- 5% declining balance method - amount equal to principal reduction of mortgage
Equipment	- 20% declining balance method

Severance pay

The liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such a payment. No provision for the ultimate severance pay liability is made in the accounts for any employee who has less than nine years of continual service.

2. Inventories

	1999	1998
Medical, surgical and general supplies	$ 149,113	$ 151,431
Drugs	178,419	187,247
Fuel oil	9,292	11,485
Aircraft parts	211,914	244,295
	$ 548,738	$ 594,458

3. Capital assets

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 7,101	$ -	$ 7,101	$ 7,101
Land improvements	103,038	44,507	58,531	60,032
Buildings	10,063,296	4,042,693	6,020,603	6,287,312
Equipment and vehicles	10,870,061	7,457,689	3,412,372	2,974,766
	$ 21,043,496	$ 11,544,889	$ 9,498,607	$ 9,329,211

GRENFELL REGIONAL HEALTH SERVICES BOARD
OPERATING FUND

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999

4. Capital assets under construction

	1999	1998
Charles S. Curtis Memorial Hospital		
Operating room air conditioning	$ -	$ 434,340
Refrigeration upgrade		
Mary's Harbour fuel tank	-	17,638
	$ -	$ 451,978

5. Long term debt

	1999	1998
Newfoundland and Labrador Housing Corporation 8% loan, secured by a mortgage on land and building known as St. Anthony Interfaith Home, repayable in blended monthly instalments of $6,614 to June, 2026	$ 893,591	$ 901,145
Bank of Nova Scotia 7.9% vehicle loan, repayable in blended monthly instalments of $548 to August, 2000	9,752	15,313
Bank of Nova Scotia 8.45% vehicle loan, repayable in blended monthly instalments of $503 to September, 2000	8,472	13,553
	911,815	930,011
Less: Current portion	(21,300)	(19,600)
	$ 890,515	$ 910,411

Principal repayments on long term debt over the next five years are as follows:

2000	$ 21,300
2001	$ 17,200
2002	$ 11,400
2003	$ 12,300
2004	$ 13,300

6. Deferred grants

Deferred grants represent funding for capital equipment and operating activities that have not been expended during the year.

7. Deferred capital contributions

Contributions restricted for the purchase of capital assets are deferred and amortized on the same basis as the corresponding asset.

The deferred capital contributions balance represents the unamortized portion of these restricted contributions.

	1999	1998
Beginning balance	$ 8,147,978	$ 7,778,481
Add: Capital contributions	1,231,489	1,363,503
Less: Amounts amortized to revenue	(994,985)	(994,006)
Ending balance	$ 8,384,482	$ 8,147,978

8. Contractual agreements

Leases

The Board, in the course of its operations, has entered into agreements for the lease of medical and office equipment and vehicles. Most arrangements are provided on a year to year basis. For those arrangements extending beyond one year, the following are the fixed lease obligations required in each of the next five years:

2000	$ 152,500
2001	$ 108,900
2002	$ 87,100
2003	$ 85,400
2004	$ 85,400

GRENFELL REGIONAL HEALTH SERVICES BOARD
OPERATING FUND

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999

9. Contingency

The Board has received an assessment from Revenue Canada relating to withholding taxes for independent medical professionals in the amount of $102,000. The Board is currently disputing Revenue Canada's position.

10. Comparative figures

Certain comparative figures have been restated to conform to the current year's presentation.

11. Year 2000 issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and , if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Board, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Health and Community Services
St. John's Region
Financial Statements
Operating Fund
March 31, 1999

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Grant Thornton

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Auditors' Report

To the Members of
St. John's Regional Health and Community Services Board

We have audited the statement of financial position of Health and Community Services - St. John's Region - Operating Fund as at March 31, 1999 and the statements of operations, changes in net assets and cash flows for the year then ended. These financial statements are the responsibility of the organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the operating fund as at March 31, 1999 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

Grant Thornton

Chartered Accountants

St. John's, Newfoundland
June 16, 1999

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187 Kenmount Road
St. John's,
Newfoundland
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Health and Community Services - St. John's Region
Operating Fund
Statement of Operations

Year Ended March 31

	1999	1998
Revenue		
Provincial Plan	$ 53,741,856	$ 18,164,593
Amortization of government capital assistance	45,893	39,785
Travel clinics	77,491	69,500
Other	30,893	12,757
	53,896,133	18,286,635
Cost of Services		
Administration	4,472,496	2,795,815
Client services programs		
Addictions	1,099,736	1,051,621
Continuing Care	12,606,287	8,718,751
Health Promotion and Protection	3,763,955	3,542,419
Mental Health	2,067,834	1,690,066
Child Welfare Program	11,904,147	
Family and Rehabilitation Program	19,052,771	
Community Corrections Program	1,005,584	
Depreciation	167,188	169,315
Severance pay	341,493	221,904
	56,481,491	18,189,891
Excess (deficiency) of revenue over cost of services	$ (2,585,358)	$ 96,744

See accompanying notes to the financial statements.

Health and Community Services - St. John's Region
Operating Fund
Statement of Financial Position

March 31	1999	1998
Assets		
Current		
Cash		$ 1,870,572
Accounts receivable	$ 3,401,850	281,042
Due from Board Fund	25,774	404,467
Prepaid expenses	392,677	543,367
	3,820,301	3,099,448
Capital assets (Note 3)	1,256,835	1,322,316
	$ 5,077,136	$ 4,421,764
Liabilities		
Current		
Bank indebtedness	$ 1,771,480	
Accounts payable and accruals	2,053,103	$ 974,342
Advance for breast screening project (Note 4)	30,684	375,348
Vacation pay payable	875,871	532,477
Deferred revenue	738,922	96,615
Current portion of long term debt	33,818	54,993
	5,503,878	2,033,775
Severance pay payable	2,380,943	1,170,088
Long term debt (Note 5)	739,360	931,891
Deferred government capital assistance (Note 6)	142,409	153,302
	8,766,590	4,289,056
Net assets		
Net assets invested in capital assets (Note 7)	341,248	182,130
Unrestricted net assets (deficiency)	(4,030,702)	(49,422)
	(3,689,454)	132,708
	$ 5,077,136	$ 4,421,764

Commitments (Note 9)

Uncertainty (Note 11)

On behalf of the Board

______ FCA Member ____________ Member

Board chair

See accompanying notes to the financial statements.

Health and Community Services - St. John's Region
Operating Fund
Statement of Changes in Net Assets

Year Ended March 31			1999	1998
	Net Assets invested in Capital Assets	Unrestricted Net Assets	Total	Total
Balances, beginning of year	$ 182,130	$ (49,422)	**$ 132,708**	$ 62,263
Excess (deficiency) of revenue over cost of services	(121,295)	(2,464,063)	**(2,585,358)**	96,744
Transfer of deficit from subsumed organizations		(1,156,804)	**(1,156,804)**	(48,888)
Transfer for debt repayment	213,706	(213,706)		
Transfer from unappropriated equity for unfunded capital expenditures	66,707	(66,707)		
Government recovery of special funding in prior year		(80,000)	**(80,000)**	
Transfer from Board Fund for unfunded capital expenditures				22,589
Balances, end of year	$ 341,248	$ (4,030,702)	**$(3,689,454)**	$ 132,708

Unrestricted net assets (deficiency) comprised of:

Balance prior to accrual for unfunded items	$ (773,888)
Vacation pay payable	(875,871)
Severance pay payable	(2,380,943)
	$ (4,030,702)

See accompanying notes to the financial statements.

Health and Community Services - St. John's Region
Operating Fund
Statement of Cash Flows

Year Ended March 31	1999	1998
Cash derived from (applied to)		
Operating		
Excess (deficiency) of revenue over cost of services	$ (2,585,358)	$ 96,744
Amortization of government capital assistance	(45,893)	(39,785)
Depreciation	167,188	169,315
Severance pay	341,493	221,904
	(2,122,570)	448,178
Change in non-cash operating working capital (Note 8)	(1,537,762)	234,637
	(3,660,332)	682,815
Financing and Investing		
Capital assets transferred from Government		21,027
Capital contributions from Provincial Plan	35,000	35,000
Transfers from Board Fund		22,589
Government recovery of special funding in prior year	(80,000)	
Proceeds from long term debt		212,323
Repayment of long term debt	(213,706)	(52,206)
Advances from (to) Board Fund	378,693	(654,452)
Purchase of capital assets	(101,707)	(267,635)
Transfer of deficit from subsumed organizations	(1,156,804)	(48,888)
Transfer of vacation pay from subsumed organizations	287,442	
Transfer of severance pay from subsumed organizations	869,362	
	18,280	(732,242)
Decrease in cash resources	(3,642,052)	(49,427)
Cash resources, net of bank indebtedness		
Beginning of year	1,870,572	1,919,999
End of year	$ (1,771,480)	$ 1,870,572

See accompanying notes to the financial statements.

Health and Community Services - St. John's Region
Operating Fund
Notes to the Financial Statements
March 31, 1999

1. Nature of operations

Operating Fund

The Operating Fund is used to account for the operating activities of the Organization provided through the following programs: Continuing Care; Mental Health; Addictions; Health Promotion; Health Protection; Children's Protection, Family and Rehabilitation; and Community Corrections. These health care services are provided in the areas of St. John's, Mount Pearl, Bell Island, Conception Bay South and the Southern Shore to St. Shotts.

Any investment revenue and interest earned on the operating accounts are credited to the Board Fund. Any operating fund deficits are the responsibility of the Board Fund. The operations of the Board are conducted under the name St. John's Regional Health and Community Services Board – Board Fund.

During 1998-99 Children's Protection, Family and Rehabilitation, and Community Corrections Services were transferred to the Organization's responsibility.

The results of the Board Fund are presented in separate financial statements.

2. Significant accounting policies

(a) Accounting for transactions with the Department of Health and Community Services and the Government of Newfoundland and Labrador.

The Board is reimbursed for the total of its operating costs after deduction of specified revenue and expenditure, including expenses not approved by the Department.

Effective for the 1996 - 1997 fiscal year, the Board is operating within a three year budgeting process. The final settlement amount for the 1997, 1998 and 1999 fiscal years would normally be determined at the end of the third year, however given the transfer of significant new programs to the Board in the current fiscal year, there is uncertainty as to the timing of the end of the three year budget cycle. Any transfer of an operating surplus to the Board Fund or any transfer from the Board Fund to finance an operating fund deficit is subject to availability of funds and will be recorded when the amount is confirmed by a final settlement by the Department of Health and Community Services.

(b) Revenue recognition

Health and Community Services - St. John's Region follows the deferral method of accounting for contributions. Restricted contributions are recognized as revenue in the year in which the related expenses are incurred. Provincial plan revenue is recognized when received or receivable for the fiscal year for which the amounts are approved by the Department of Health and Community Services.

2. Significant accounting policies (cont'd)

(c) Capital Assets and Depreciation

Purchases of minor equipment are charged to cost of services in the year they are purchased. Major equipment purchases are recorded at their full cost under capital assets.

Rates of depreciation applied on a declining balance basis to write-off the cost of capital assets over their estimated lives are as follows:

Buildings	4%
Furniture and equipment	20%
Medical equipment	20%
Computer equipment	30%

(d) Severance Pay

A liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payments. No provision for the ultimate severance pay liability is made in the accounts for any employee who has less than nine years of continuous service.

(e) Government Capital Assistance

Government grants relating to the acquisition of capital assets are recorded as deferred credits and amortized on the same basis as the related asset is depreciated. During the year a grant of $35,000 (1998 - $35,000) was received from the Department of Health and Community Services.

(f) Medical Supplies

Medical supplies are charged to cost of services when purchased.

3. Capital assets

	Cost	Accumulated Depreciation	1999 Net Book Value	1998 Net Book Value
Land	$ 20,000		**$ 20,000**	$ 20,000
Buildings	883,969	$ 124,251	**759,718**	791,373
Furniture and equipment	562,475	298,916	**263,559**	295,072
Medical equipment	179,418	117,591	**61,827**	72,123
Computer equipment	340,700	188,969	**151,731**	143,748
	$ 1,986,562	$ 729,727	**$ 1,256,835**	$ 1,322,316

Health and Community Services - St. John's Region
Operating Fund
Notes to the Financial Statements
March 31, 1999

4. Advance for breast screening project

The breast screening project is a project of the Department of Health and Community Services and does not fall within the responsibility or accountability of Health and Community Services - St. John's Region. The funding for this project is channelled through Health and Community Services - St. John's Region who pay the project expenses on behalf of the Department of Health and Community Services, and any unexpended funds are repayable to the Department of Health and Community Services.

5. Long term debt

	1999	1996
6.41% Toronto Dominion Bank term loan, amortized to June 15, 2012, repayable in equal monthly instalments of principal and interest of $5,591.	$ 593,279	$ 621,841
7.79% Newfoundland and Labrador Housing Corporation mortgage, amortized to July 1, 2020, repayable in equal monthly instalments of principal and interest of $1,429.	179,899	183,124
9.08% Toronto Dominion Bank term loan, repaid during the year.		156,540
6.75% Toronto Dominion Bank term loan, repaid during the year.		25,379
	773,178	986,884
Less: current portion	33,818	54,993
	$ 739,360	$ 931,891

Principal repayments in each of the next five years are due as follows: 2000 - $33,818, 2001 - $36,107; 2002 - $38,513; 2003 - $41,079; 2004 - $43,775.

Revenue other - includes a mortgage subsidy from Newfoundland and Labrador Housing Corporation (NLHC) in the amount of $9,431 related to the above NLHC mortgage.

6. Deferred government capital assistance

Deferred contributions related to capital assets represent contributed capital assets and restricted contributions for the acquisition of capital assets. The changes in the deferred contributions balance for the year are as follows:

		1999	1998
Balance, beginning of year		$ 153,302	$ 137,061
Add:	Capital contributions from Provincial Plan	35,000	35,000
	Contributed capital assets - Department of Health and Community Services		21,027
Less:	Amounts amortized to revenue	(45,893)	(39,786)
Balance, end of year		$ 142,409	$ 153,302

7. Net assets invested in capital assets

	1999	1998
Capital assets	$ 1,256,835	$ 1,322,316
Amounts financed by:		
Long term debt	(773,178)	(986,884)
Deferred government capital assistance	(142,409)	(153,302)
	$ 341,248	$ 182,130

8. Change in non-cash operating working capital

	1999	1998
Accounts receivable	$ (3,120,808)	$ 2,290,294
Prepaid expenses	150,690	(143,717)
Accounts payable and accruals	1,078,761	(580,636)
Advance for breast screening project	(344,664)	(594,201)
Vacation pay payable	55,952	63,184
Deferred revenue	642,307	(800,287)
	$ (1,537,762)	$ 234,637

9. Commitments

The organization is committed to minimum annual rentals under lease agreements for office space and equipment as follows:

2000	$ 1,222,267
2001	840,393
2002	752,804
2003	711,018
2004	671,383

10. Other projects

During the year the organization conducted certain special projects on a cost recovery basis. Recoveries of related expenses of $103,277 (1998 - $35,811) have been deducted from other project expenses for the year.

11. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Organization, including those related to the efforts of clients, suppliers, or other third parties, will be fully resolved.

Chartered Accountants
Canadian Member Firm of
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Health Care Corporation of St. John's - Operating Fund Financial Statements

March 31, 1999

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Auditors' Report

To the Board of Trustees
Health Care Corporation of St. John's

We have audited the statement of financial position of the Health Care Corporation of St. John's – Operating Fund as at March 31, 1999 and the statements of operations, changes in net assets, and cash flow for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation's operating fund as at March 31, 1999 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

The comparative figures for 1998 are based upon financial statements which were reported on by another firm of chartered accountants.

St. John's, Newfoundland
June 23, 1999

Grant Thornton
Chartered Accountants

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Health Care Corporation of St. John's
Operating Fund
Statement of Operations

Year Ended March 31 (in thousands of dollars)	1999	1998
Revenue		
Provincial plan	$ 269,749	$ 262,351
Other	33,324	32,277
	303,073	294,628
Expenditure		
Administration and support	79,275	77,871
Clinical programs		
Child health	23,424	22,280
Mental health	23,239	22,601
Medicine	23,087	22,129
Perioperative	18,156	17,028
Surgery	17,568	17,258
Laboratory services	15,164	14,558
Diagnostic imaging	13,460	12,760
Critical care	11,370	10,673
Cardiac care	10,294	9,287
Women's health	7,737	7,413
Emergency	7,272	6,606
Ambulatory care services	5,387	4,889
Continuing care	5,219	4,778
Rehabilitation services	4,932	4,519
Seniors	1,520	1,370
Bell Island/Ferryland	1,484	1,342
Palliative care	737	761
Medical services/education	26,811	25,891
Pharmacy and therapeutic services	7,360	6,726
Other	3,913	3,879
	307,409	294,619
Excess of (expenditure over revenue) revenue over expenditure before undernoted items	(4,336)	9
Depreciation	8,909	10,671
Amortization of deferred contributions	(7,628)	(8,331)
Increase in severance pay accrual	3,426	2,638
	4,707	4,978
Excess of expenditure over revenue	$ (9,043)	$ (4,969)

See accompanying notes to the financial statements.

Health Care Corporation of St. John's
Operating Fund
Statement of Changes in Net Assets

Year Ended March 31 (in thousands of dollars)	Invested in Capital assets	Deficit	1999	1998
Balance, beginning of year	$ 61,323	$(51,632)	$ 9,691	$ 14,075
Excess of expenditure over revenue		(9,043)	(9,043)	(4,969)
Depreciation	(8,909)	8,909		
Amortization of deferred contributions	7,628	(7,628)		
Transfer from Board Fund				585
Contribution from government for deficit funding (Note 3)		10,215	10,215	
Balance, end of year	$ 60,042	$(49,179)	$ 10,863	$ 9,691

See accompanying notes to the financial statements.

Health Care Corporation of St. John's
Operating Fund
Statement of Financial Position

March 31
(in thousands of dollars)

	1999	1998
Assets		
Current		
Cash and term deposits	$ 153	$ 274
Accounts receivable (Note 3)	34,014	11,118
Supplies inventory (Note 4)	3,240	3,767
Prepaid expenses	136	181
	37,543	15,340
Capital assets (Note 5)	148,120	97,049
Trust funds (Note 6)	652	595
	$ 186,315	$ 112,984
Liabilities		
Current		
Bank indebtedness (Note 7)	$ 2,042	
Accounts payables and accrued liabilities	26,196	$ 21,635
Accrued vacation pay	9,723	9,488
Due to board fund	3,588	2,362
Current portion of accrued severance pay	217	435
Current portion of obligations under capital leases	1,286	1,965
Deferred revenue	5,630	1,807
	48,682	37,692
Contractual obligations (Note 8)	65,914	10,190
Obligations under capital leases (Note 9)	1,184	2,428
Deferred contributions - capital	22,949	19,961
Accrued severance pay	36,071	32,427
	174,800	102,698
Trust funds (Note 6)	652	595
Net Assets		
Net assets invested in capital assets	60,042	61,323
Deficit		
Prior institutions	(36,098)	(41,587)
Operating	(13,081)	(10,045)
	10,863	9,691
	$ 186,315	$ 112,984

Contingencies (Note 11)
Commitments (Note 12)
Year 2000 Issue (Note 16)

On Behalf of the Board

Eileen Young Trustee

Trustee

See accompanying notes to the financial statements.

Health Care Corporation of St. John's
Operating Fund
Statement of Cash Flow

Year Ended March 31
(in thousands of dollars)

	1999	1998
Cash derived from (applied to)		
Operating activities		
Excess of expenditure over revenue	$ (9,043)	$ (4,969)
Add items not requiring a cash outlay		
Depreciation	8,909	10,671
Amortization of deferred contributions	(7,628)	(8,331)
Increase in severance pay accrual	3,426	2,638
	(4,336)	9
Change in non-cash operating working capital (Note 10)	3,703	5,705
Cash (used in) provided by operating activities	(633)	5,714
Financing activities		
Capital asset contributions	10,616	4,053
Increase in contractual obligations	55,724	10,190
Proceeds from obligations under capital leases		1,136
Repayment of obligations under capital leases	(1,923)	(1,763)
Transfer from board fund		585
Cash provided by financing activities	64,417	14,201
Investing activities		
Accounts receivable - equipment	(5,967)	454
Construction and purchase of capital assets	(59,980)	(15,312)
Cash used in investing activities	(65,947)	(14,858)
Net (decrease) increase in cash	(2,163)	5,057
(Bank indebtedness) cash		
Beginning of year	274	(4,783)
End of year	$ (1,889)	$ 274
Represented by		
Cash	$ 153	$ 274
Bank indebtedness	(2,042)	
	$ (1,889)	$ 274

See accompanying notes to the financial statements.

1. Formation of the Corporation and basis of accounting

Effective April 1, 1995, the Health Care Corporation of St. John's (the Corporation) was constituted by the Hospitals Act (Health Care Corporation of St. John's) Constitution Order to manage and control the operations, facilities, services and programs of several institutions which, prior to this date, were individually controlled entities. These institutions are as follows:

General Hospital Corporation
St. Clare's Mercy Hospital
Salvation Army Grace General Hospital
Dr. Walter Templeman Health Centre
Dr. Charles A. Janeway Child Health Centre
Waterford Hospital Corporation
Childrens' Rehabilitation Centre

The operations of the above entities were primarily funded by the Government of Newfoundland and Labrador (the Government) to provide health care services on the Government's behalf, causing all entities to be effectively under common control. As a result, these financial statements have been prepared using a pooling of interest method of accounting. Under this method, the book values of assets, liabilities and net assets of each of the entities being combined are added together to form the combined value of assets, liabilities and net assets of the Corporation.

The Government purchased certain capital assets owned by the Congregation of the Sisters of Mercy and the Salvation Army, related to their respective former institutions. These assets, excluding the Salvation Army Grace General Hospital land and buildings, were recorded in the accounts of the Corporation at fair value.

The Corporation is a registered charity and, while registered, is exempt from income tax.

2. Summary of significant accounting policies

The financial statements of the Corporation have been prepared within the framework of generally accepted accounting principles which requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the Corporation are as follows:

2. Summary of significant accounting policies (cont'd.)

Basis of presentation

The Corporation applies fund accounting principles in recording its financial transactions in the Operating Fund.

The Operating Fund contains all the operating assets, liabilities, revenue and expenditure of the Corporation related to the provision of hospital services. The assets of the Operating Fund are available for the satisfaction of debts, contingent liabilities and commitments of the Corporation.

Supplies inventory

Supplies inventory is valued at average cost, determined on a first-in first-out basis.

Capital assets

The Corporation has recorded all capital assets over which it has control although title to certain of these assets rests with the Government. Capital assets recorded prior to the merger are recorded at either cost, nominal, or approximate fair value, on the basis of accounting used by the predecessor entities. Capital assets acquired after April 1, 1995 are recorded at cost. Depreciation is provided on a straight-line basis over the estimated useful lives of the related assets at the following rates:

Buildings and renovations	2%
Equipment	15% - 20%
Equipment under capita leases	15%
Land improvements	5%-10%

Construction in progress is not depreciated until the project is substantially complete at which time the project costs are transferred to buildings and renovations and depreciated accordingly.

Minor equipment purchases are charged to operations in the year of acquisition.

Capital and operating leases

A lease that transfers substantially all of the benefits and risks incidental to ownership of property is accounted for as a capital lease. At the inception of a capital lease, an asset and an obligation are recorded at an amount equal to the lesser of the present value of the minimum lease payments and the property's fair value. Assets acquired under capital leases are amortized on the same basis as other capital assets. All other leases are accounted for as operating leases and the payments are expensed as incurred.

2. Summary of significant accounting policies (cont'd.)

Capital contributions

Capital contributions are recorded as deferred contributions and amortized to income on a straight-line basis using the same rates as depreciation expense related to the capital assets purchased. Capital contributions for non-depreciable capital assts are recorded as direct increases in net assets.

Revenue recognition

Provincial plan revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred revenue.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Revenue from the sale of goods and services is recognized at the time the goods are delivered or the services are provided.

Budget incentive

The Corporation is reimbursed by the Department of Health for the total of its operating costs, after deduction of specified revenue and expenditure, to the extent of the approved budget.

The final amount receivable from or payable to the Department will not be determined until the Department has completed its review of the Corporation's financial and statistical returns. The management of the Corporation considers the amount recorded as receivable from or payable to the Department to be inclusive of all proper adjustments. Subsequent adjustments resulting from the Department's review will be reflected in the statement of revenue and expenditure in the period of adjustment.

For the fiscal years 1997 to 1999, the Corporation is permitted to retain any savings from the approved budget.

Accrued severance pay

Severance pay is accounted for on an accrual basis and is calculated based upon years of service and current salary levels. Severance pay is only recorded in the accounts for employees who have a vested right to receive such a payment. No provision for the ultimate severance pay liability is made in the accounts for any employee who does not have a vested right to the payment. The amount is payable when the employee ceases employment with the Corporation.

2. Summary of significant accounting policies (cont'd.)

Pension costs

Employees of the Corporation are included in the Public Service Pension Plan and the Government Money Purchase Plan administered by the Province of Newfoundland. Contributions to the plans are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

Contributed services

Volunteers contribute approximately 89,000 hours per year to assist the Corporation in carrying out its service delivery activities. Due to the difficulty of determining fair value, contributed services are not recognized in the financial statements.

3. Accounts receivable

	1999	1998
Government of Newfoundland and Labrador		
Operating	$ 6,451	$ 228
Deficit funding	10,215	-
Equipment	6,916	949
Severance and redundancy	43	804
	23,625	1,981
Services to patients	4,777	5,147
Foundations (Note 13)	509	491
Hostels (Note 13)	674	604
Other	4,429	2,895
	$ 34,014	$ 11,118

Subsequent to the balance sheet date, funding was received from government in the amount of $10,215,000 to cover accumulated deficits of the Corporation to March 31, 1998.

4. Supplies inventory

	1999	1998
Medical and surgical supplies	$ 1,284	$ 1,312
Drugs	1,236	1,226
Other	720	1,229
	$ 3,240	$ 3,767

5. Capital assets

	1999		
	Cost	**Accumulated Depreciation**	**Net Book Value**
Land and land improvements	$ 1,822	$ 424	$ 1,398
Buildings and renovations	125,603	60,524	65,079
Equipment	114,531	103,575	10,956
Equipment under capital leases	10,588	6,959	3,629
Construction in progress	67,058	-	67,058
	$ 319,602	$ 171,482	$ 148,120

	1998		
	Cost	Accumulated Depreciation	Net Book Value
Land and land improvements	$ 1,822	$ 419	$ 1,403
Buildings and renovations	124,844	57,732	67,112
Equipment	110,796	98,846	11,950
Equipment under capital leases	10,587	5,573	5,014
Construction in progress	11,570	-	11,570
	$ 259,619	$ 162,570	$ 97,049

6. Trust funds

Funds belonging to the patients of the Corporation are being held in trust for the benefit of the patients.

7. Bank indebtedness

Bank indebtedness represents advances received on an unsecured overdraft lending facility which bears interest at the bank's prime lending rate less 1% (1999 – 5.5%; 1998 – 5.5%).

8. Contractual obligations		1999		1998
Interim financing	$	52,020	$	7,350
Accounts payable and accruals		13,894		2,840
	$	65,914	$	10,190

a) The Corporation has announced plans for the closure of two facilities in the year 2000 (Dr. Charles A. Janeway Child Health Centre and the Salvation Army Grace General Hospital), and the construction of a new children's facility at the Health Sciences Centre site. The new facility has an estimated cost of $65.5 million. In addition, the Corporation has announced that $47 million will be spent on renovations to St. Clare's Mercy Hospital and the Health Sciences Centre. An additional $17.5 million will be spent on professional fees, design work and financing. Costs incurred to March 31, 1999 amounted to $55,854,000 (1998 - $10,190,000).

The terms and conditions related to long term financing arrangements for the renovations and construction have not been finalized.

b) The Corporation has committed to the development of a centralized kitchen facility costing approximately $12.5 million to provide food services in the St. John's region. Costs incurred to March 31, 1999 amounted to $9,758,000 (1998 - Nil).

Subsequent to the balance sheet date, the Corporation arranged long term financing in the amount of $12.0 million. The loan has a term and amortization period of 15 years, at a fixed interest rate of 6.06%, and is repayable in blended monthly instalments of principal and interest of $101,670.

c) The Corporation has committed to constructing a Centre for Nursing Studies at Southcott Hall at a cost of approximately $3.3 million. Costs incurred to March 31, 1999 amounted to $704,000 (1998 – Nil).

The terms and conditions related to long term financing arrangements for this project have not been finalized.

d) The Corporation has commenced renovations to the centre block of the Leonard Miller Centre. These renovations will cost approximately $1.9 million. Costs incurred to March 31, 1999 amounted to $463,000 (1998 – Nil).

The General Hospital Health Foundation has committed to providing funding for these renovations.

9. Obligations under capital leases

The Corporation has acquired medical and surgical equipment under the terms of capital leases. Payments under the leases, scheduled to expire at various dates to March 31, 2004 are as follows:

Fiscal year ended	
2000	$ 1,413
2001	794
2002	291
2003	176
2004	0
	2,674
Less amount representing interest (ranging from 6.2% to 10.0%)	204
	2,470
Less current portion	1,286
	$ 1,184

10. **Change in non-cash operating working capital**	1999	1998
Accounts receivable	$ (6,714)	$ 6,262
Supplies inventory	527	380
Prepaid expenses	45	278
Accounts payable and accrued liabilities	4,561	(2,435)
Accrued vacation pay	235	261
Due to board fund	1,226	449
Deferred revenue	3,823	510
	$ 3,703	$ 5,705

11. Contingencies

Guarantees

The Corporation has guaranteed a first mortgage of the General Hospital Hostel Association (the Association) held by the Newfoundland and Labrador Housing Corporation. The balance of the mortgage outstanding at March 31, 1999 was $2,075,000 (1998 - $2,126,000).

The Corporation has guaranteed an additional first mortgage of the Association held by the Royal Bank of Canada. The balance of the mortgage outstanding at March 31, 1999 was $1,146,000 (1998 - $1,166,000).

Management believes the Corporation will not be called upon to honour these guarantees.

Other

A number of claims have been filed against the Corporation. No provision has been recorded in the accounts for these claims as the Corporation is not expected to incur any significant liability, and an estimate of loss, if any, is not determinable at this time.

12. Commitments

Operating leases

Under the terms of several long-term operating leases related to hospital and office equipment, the Corporation is committed to make the approximate annual lease payments set out below:

2000	$ 285
2001	162
2002	14
2003	2
2004	0
	$ 463

Energy Performance Contract

The Corporation entered into an Energy Performance Contract on November 21, 1996 with Honeywell Ltd. for the design and implementation of measures to improve energy efficiency, wherein Honeywell Ltd. guaranteed the energy savings component.

The contract is estimated at $10,170,000, including financing costs, and is to be repaid from operating and energy savings over a maximum seven year period.

12. **Commitments** (cont'd)

To March 31, 1999, expenditures, including financing costs, amounted to $8,423,000 (1998 - $5,229,000) and were financed through the Bank of Nova Scotia. As support for the financing, Honeywell Ltd. has assigned to the bank any funds due to them by the Corporation for the energy savings component of the contract.

In the opinion of management of the Corporation, the guaranteed energy savings component by Honeywell Ltd. is an offset to any obligation of the Corporation under the assignment to the bank, and as a consequence neither the capital expenditures or the bank loan obligation is reflected in the financial statements of the Corporation at March 31, 1999.

13. Related party transactions

Foundations and Hostels

The Corporation is related to the following entities:

General Hospital Health Foundation
Janeway Children's Hospital Foundation
St. Clare's Mercy Hospital Foundation
Waterford Hospital Foundation Inc.
General Hospital Hostel Association
Northwest Rotary – Janeway Hostel Corporation

The Foundations operate for the purpose of accumulating funds to assist the Corporation with facility renovations and the purchase of equipment used in the provision of patient care. The Foundations are governed by separate Boards of Directors.

The Hostels provide accommodations for the family members of the Corporation's patients. The Corporation appoints a majority of members to the Hostels' Boards of Directors.

Contributions to the Corporation during the year are as follows:	1999	1998
General Hospital Health Foundation	$ 719	$ 134
Janeway Children's Hospital Foundation	568	478
St. Clare's Mercy Hospital Foundation	39	273
General Hospital Hostel Association	213	213
Northwest Rotary - Janeway Hostel Corporation	10	10
	$ 1,549	$ 1,108

13. Related party transactions (cont'd)

At year end, the amounts receivable from related parties are as follows:

	1999	1998
General Hospital Health Foundation	$ 196	$ 140
Janeway Children's Hospital Foundation	286	298
St. Clare's Mercy Hospital Foundation	7	5
Waterford Hospital Foundation Inc.	19	48
General Hospital Hostel Association	476	448
Northwest Rotary – Janeway Hostel Corporation	199	156
	$ 1,183	$ 1,095

Other

Various volunteer and auxiliary associations/organizations solicit donations, operate gift shops and hostels and undertake fund raising activities to provide operating and capital donations to further the objectives of the Corporation.

14. Financial instruments

The Corporation's primary financial instruments recognized in the balance sheet consist of cash, accounts receivable, current liabilities, accrued severance pay, contractual obligations, and obligations under capital leases. The carrying value of the primary financial instruments of the Corporation approximate fair value due to the normal trade credit terms and conditions of those instruments.

At year end the Corporation did not have any significant exposure to any part or counterparty.

15. Comparative figures

Certain of the 1998 comparative figures have been reclassified from the financial statements previously presented to conform with the financial statement presentation adopted for the current year.

16. Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date.

The Corporation has developed and implemented a plan designed to identify and address the expected effects of the Year 2000 Issue on the Corporation. As at March 31, 1999 identification and assessment of the Year 2000 readiness of third parties, such as customers, suppliers and others, is ongoing. The Corporation is carrying out ongoing activities to modify, retire or replace computer systems identified to date which are not Year 2000 ready. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation's Operating Fund, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

HEALTH LABRADOR CORPORATION

REPORT AND FINANCIAL STATEMENTS

MARCH 31, 1998

Deloitte & Touche

Chartered Accountants
Deloitte & Touche
Fort William Building
10 Factory Lane
St. John's, Newfoundland
A1C 6H5

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AUDITORS' REPORT

To the Board of Management,
Health Labrador Corporation

We have audited the Combined Funds balance sheet of **Health Labrador Corporation** as at March 31, 1998 and the Operating Fund statement of revenues, expenditures and fund balance, the Board Funds statement of revenues, expenditures and fund balances and the Combined Funds statement of changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1998 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Deloitte & Touche

Chartered Accountants

St. John's, Newfoundland,
July 24, 1998.

HEALTH LABRADOR CORPORATION
COMBINED FUNDS

BALANCE SHEET AS AT MARCH 31, 1998

ASSETS

	1998	1997
Current		
Cash and short term investments	$ 364,583	$ 2,044,718
Accounts receivable	1,434,291	1,531,391
Inventories (Note 4)	508,946	494,242
Prepaid expenses	131,472	153,923
	2,439,292	4,224,274
Funds on deposit (Note 5)	384,111	369,134
Residents' Trust Fund	95,218	139,448
Capital assets, net of accumulated amortization (Note 6)	9,440,568	8,393,724
	$ 12,359,189	$ 13,126,580

LIABILITIES AND DEFICIT

	1998	1997
Current		
Bank indebtedness (Note 7)	$ 1,001,249	$ -
Accounts payable and accrued liabilities	1,751,531	1,342,133
Accrued vacation pay	1,081,520	923,744
Current portion of long term debt (Note 9)	9,500	8,800
Deferred grants (Notes 3 & 8)	1,181,455	1,872,381
	5,025,255	4,147,058
Residents' Trust Fund liability	95,218	139,448
Accrued severance pay	1,860,411	1,678,140
Long term debt (Note 9)	1,267,889	1,277,389
Deferred capital contributions (Note 10)	7,833,471	6,777,860
	16,082,244	14,019,895
Deficit		
Operating Fund (Note 12)	(4,321,213)	(2,016,445)
Board Funds (Note 12)	382,241	907,213
Endowment Fund (Notes 3 & 12)	215,917	215,917
	(3,723,055)	(893,315)
	$ 12,359,189	$ 13,126,580

Approved on Behalf of the Board:

Director Bernice Norris

Director

See accompanying notes to financial statements.

HEALTH LABRADOR CORPORATION

OPERATING FUND
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 1998

	1998	1997
Revenues		
Provincial plan	$ 20,906,617	$ 21,247,649
MCP physician revenue	2,651,857	2,007,033
Air Ambulance	1,285,485	1,285,485
Health and Community Services programs	778,000	643,755
Inpatient	405,650	444,662
Outpatient	341,364	283,250
Long term care	503,301	479,786
Dental revenue	236,532	873,443
Drug recoveries	544,060	509,688
Mortgage interest subsidy	25,205	25,205
Other	557,600	718,985
	28,235,671	28,518,941
Expenditures		
Administration	4,211,169	3,739,728
Support services	8,379,643	8,898,170
Nursing inpatient services	4,847,548	4,870,562
Ambulatory care services	6,218,510	6,563,528
Diagnostic and therapeutic	2,955,236	2,650,343
Medical services	2,941,516	2,272,509
Education	325,946	336,464
Undistributed	182,937	205,325
	30,062,505	29,536,629
Deficit prior to non-shareable items	(1,826,834)	(1,017,688)
Adjustments for non-shareable items		
Amortization of deferred capital contributions	1,185,505	689,171
Amortization of capital assets	(1,194,305)	(697,371)
Accrued vacation expense	(286,863)	(16,341)
Accrued severance expense	(182,271)	(64,155)
Deficit on operations	(2,304,768)	(1,106,384)
Fund balance, beginning of the year (Note 12)	(2,016,445)	(910,061)
Fund balance, end of the year	$ (4,321,213)	$ (2,016,445)

See accompanying notes to financial statements.

HEALTH LABRADOR CORPORATION

BOARD FUNDS
STATEMENT OF REVENUES, EXPENDITURES AND FUND BALANCE
FOR THE YEAR ENDED MARCH 31, 1998

	1998	1997
Revenues		
International Grenfell Association	$ 979,126	$ 148,408
Interest	75,452	118,838
Other grants and donations	209,102	219,116
	1,263,680	486,362
Expenditures	320,725	259,072
Excess of revenues over expenditures	942,955	227,290
Fund balance, beginning of the year (Note 12)	907,213	793,674
Donation to operating fund - capital	(1,467,927)	(113,751)
Fund balance, end of the year	$ 382,241	$ 907,213

See accompanying notes to financial statements.

HEALTH LABRADOR CORPORATION
COMBINED FUNDS

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1998

	1998	1997
Cash provided from (used in)		
Operating activities		
Deficit on operations	$ (2,304,768)	$ (1,106,384)
Items not affecting cash		
Amortization of deferred capital contributions	(1,185,505)	(689,171)
Amortization of capital assets	1,194,305	697,371
	(2,295,968)	(1,098,184)
Net (increase) decrease in non-cash working capital	(18,938)	857,217
Increase in accrued severance pay	182,271	64,155
	(2,132,635)	(176,812)
Investing activities		
Purchase of capital assets	(2,241,115)	(542,855)
Change in funds on deposit	(14,977)	(24,375)
	(2,256,092)	(567,230)
Financing activities		
Repayment of long term debt	(8,800)	(8,167)
Increase in deferred capital contributions	2,241,115	541,163
Increase (decrease) in Board funds - net of expenditures	(524,972)	113,539
	1,707,343	646,535
Decrease in cash position	(2,681,384)	(97,507)
Cash position, beginning of the year	2,044,718	2,142,225
Cash position, end of the year	$ (636,666)	$ 2,044,718
Cash position comprised of:		
Cash and short term investments	$ 364,583	$ 2,044,718
Bank indebtedness	(1,001,249)	-
	$ (636,666)	$ 2,044,718

See accompanying notes to financial statements.

HEALTH LABRADOR CORPORATION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1998

1. Establishment of Health Labrador Corporation

The Health Labrador Corporation was created in November, 1994 as a result of restructuring of health care boards in the Province of Newfoundland and Labrador. The Corporation manages and operates the health care services in Goose Bay, Churchill Falls, Labrador City and coastal Labrador, north of Black Tickle. The Corporation also manages and operates the Harry L. Paddon Memorial Home in Goose Bay.

2. Significant accounting policies

The financial statements of the Corporation have been prepared within the framework of generally accepted accounting principles and are presented in accordance with Department of Health and Community Services reporting requirements. The more significant accounting policies adopted are as follows:

Basis of accounting

The Corporation employs fund accounting, classifying financial statement items in either the Operating Fund or Board Funds. These funds together comprise the Combined Funds as shown on the balance sheet. Statements of revenues, expenditures and fund balances are prepared on an individual basis for these funds.

The Operating Fund includes the primary and ancillary operations and the operating assets and liabilities of the Corporation. Revenues (including grants and subsidies) and expenditures relate primarily to the provision of hospital services and long term nursing care.

The Board Funds contain assets held either for special purposes or for use at the discretion of the Corporation. Revenues consist mainly of donations and grants. Charges consist of certain hospital operating and capital expenditures not shared by government and expenditures for which the funds' assets have been granted. Interest earned on the funds is allocated to the Controller's Consolidated Fund within the Board Funds.

Revenue and expenditure recognition

Revenues and expenditures are recognized using the accrual basis of accounting. The Corporation uses the deferral method of revenue recognition. Restricted funding is deferred and recognized as revenue in the period in which the related expense is incurred. Restricted funding for the purchase of capital assets is deferred and amortized on the same basis as the corresponding capital asset. Unrestricted funds are recognized as revenue in the period received.

HEALTH LABRADOR CORPORATION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1998

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2. Significant accounting policies (Continued)

Inventories

Inventories consist of medical, surgical and general supplies, drugs and fuel oil. Medical, surgical and general supplies are valued at the lower of cost, determined on an average cost basis, and net realizable value. Drugs are valued at the lower of cost, determined on a first-in, first-out basis, and net realizable value.

Capital assets

Capital assets are recorded at cost. Certain real estate assets in Goose Bay, including the Melville Hospital are not recorded as assets of the Corporation since the Corporation does not hold title to them.

Amortization is recorded in the financial statements using the following amortization policies:

Buildings	- 5% declining balance method - amount equal to principal reduction of mortgage
Equipment	- 20% declining balance method

Severance pay

The liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such a payment. No provision for the ultimate severance pay liability is made in the accounts for any employee who has less than nine years of continual service.

3. Restricted funds

Restricted funds of the Corporation include deferred grants and the Endowment Fund.

The balance of these funds, as reported in the combined balance sheet, is as follows:

	1998	1997
Deferred grants - provincial government	$ 181,666	$ 387,703
Deferred grants - other	999,789	1,484,678
Endowment Fund	215,917	215,917
	$ 1,397,372	$ 2,088,298

HEALTH LABRADOR CORPORATION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1998

3. Restricted funds (Continued)

The Corporation has not segregated cash or investments to properly fund these balances and has used the funds as short term working capital, which is not in compliance with the terms of such advances. All restricted fund grants received since March 31, 1998 have been placed in a segregated bank account.

4. Inventories

	1998	1997
Medical, surgical and general supplies	$ 314,313	$ 292,720
Drugs	187,717	183,434
Fuel oil	6,916	18,088
	$ 508,946	$ 494,242

5. Funds on deposit

These funds represent Board funds of the Captain William Jackman Memorial Hospital which were placed on deposit with the Salvation Army Territorial Headquarters when it operated the hospital. Approximately $432,000 in additional funds are on deposit with the Salvation Army. Since, however, there is a dispute over title to these funds, the Corporation has decided not to report these funds as assets until the dispute has been settled.

6. Capital assets

	1998			1997
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 10,000	$ -	$ 10,000	$ 10,000
Land improvements	162,209	63,355	98,854	107,526
Buildings	9,680,227	4,181,874	5,498,353	5,712,541
Equipment and vehicles	9,635,404	5,802,043	3,833,361	2,563,657
	$ 19,487,840	$ 10,047,272	$ 9,440,568	$ 8,393,724

HEALTH LABRADOR CORPORATION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1998

7. Bank indebtedness

The Corporation has access to a $1 million line of credit in the form of a revolving demand loan bearing interest at 6.5% per annum. This loan has been approved by the Minister of Health and was subsequently increased to $2 million.

8. Deferred grants

Deferred grants consist of funding received from the provincial government and supporting associations for capital or operating purposes that has not been expended.

9. Long term debt

	1998	1997
Canada Mortgage and Housing Corporation 10% mortgage secured by land and building known as Harry L. Paddon Memorial Home, repayable in blended monthly instalments of $9,145 to 2019	$ 1,277,389	$ 1,286,189
Less: Current portion	9,500	8,800
	$ 1,267,889	$ 1,277,389

Principal repayments on long term debt in each of the next five years are as follows:

1998 - 1999	$ 9,500
1999 - 2000	$ 10,500
2000 - 2001	$ 11,500
2001 - 2002	$ 12,600
2002 - 2003	$ 13,100

10. Deferred capital contributions

Deferred capital contributions represent the unamortized portion of restricted contributions used for the purchase of capital assets.

11. Commitments

Leases

The Corporation, in the course of its operations, has entered into agreements for the rental of various health care delivery facilities, living accommodations, and for the lease of certain medical and office equipment. Most arrangements are provided on a year to year basis. Estimated annual lease obligations required in each of the next 5 years, for those arrangements extending beyond one year, are as follows:

1998 - 1999	$ 190,000
1999 - 2000	$ 185,000
2000 - 2001	$ 180,000
2001 - 2002	$ 175,000
2002 - 2003	$ 175,000

12. Change in accounting policy

During the year, the Corporation adopted the deferral method of revenue recognition as a result of new accounting requirements of the Canadian Institute of Chartered Accountants. The change has been applied retroactively. The effect on these financial statements is as follows:

	Operating Fund	Board Funds	Endowment Fund
As originally stated, March 31, 1996	$ 6,053,136	$ 1,955,816	$ -
Transfer to deferred capital contributions	(6,963,197)	-	-
Transfer to deferred grants	-	(946,225)	-
Endowment fund	-	(215,917)	215,917
Restated, March 31, 1996	$ (910,061)	$ 793,674	$ 215,917

13. Comparative figures

Certain comparative figures have been restated to conform to the current year's presentation.

SCHEDULE 1

HEALTH LABRADOR CORPORATION

OPERATING FUND
EXPENDITURE CATEGORY
FOR THE YEAR ENDED MARCH 31, 1998

	1998	1997
Administration		
General administration	$ 2,442,904	$ 2,090,240
Finance	458,566	480,580
Personnel services	305,698	248,618
Systems support	232,301	184,405
Other	771,700	735,885
	4,211,169	3,739,728
Support services		
Nursing	910,777	888,615
Housekeeping	906,390	990,156
Laundry and linen	246,880	280,509
Plant services	2,381,314	2,413,611
Patient food services	1,293,961	1,439,824
Other	2,640,321	2,885,455
	8,379,643	8,898,170
Nursing inpatient services - acute	3,513,855	3,623,358
Nursing inpatient services - long term care	1,333,693	1,247,204
	4,847,548	4,870,562
Ambulatory care services	6,218,510	6,563,528
Diagnostic and therapeutic services		
Clinical laboratory	967,596	938,391
Diagnostic imaging	555,746	542,413
Other	1,431,894	1,169,539
	2,955,236	2,650,343
Medical services	2,941,516	2,272,509
Education	325,946	336,464
Undistributed	182,937	205,325
Total	$ 30,062,505	$ 29,536,629

See accompanying notes to financial statements.

SCHEDULE 2

HEALTH LABRADOR CORPORATION

OPERATING FUND
REVENUE AND EXPENDITURE FOR GOVERNMENT REPORTING
FOR THE YEAR ENDED MARCH 31, 1998

	1998	1997
Revenue		
Provincial plan	$ 20,906,617	$ 21,247,649
MCP physician revenue	2,651,857	2,007,033
Air Ambulance	1,285,485	1,285,485
Health and Community Services programs	778,000	643,755
Inpatient	405,650	444,662
Outpatient	341,364	283,250
Long term care	503,301	479,786
Dental revenue	236,532	873,443
Drug recoveries	544,060	509,688
Mortgage interest subsidy	25,205	25,205
Other	557,600	718,985
Total revenue	28,235,671	28,518,941
Expenditure		
Salaries	18,507,780	18,069,722
Employee benefits	3,009,208	3,010,962
Supplies - regular	7,240,487	7,102,205
Supplies - drugs	664,001	601,573
Supplies - medical and surgical	514,916	625,389
Long term debt - interest	126,113	126,778
Long term debt - principal	8,832	8,167
Total expenditure	30,071,337	29,544,796
Deficit for government reporting	(1,835,666)	(1,025,855)
Long term debt - principal	8,832	8,167
Deficit including other operations	(1,826,834)	(1,017,688)
Non-shareable items		
Amortization of deferred capital contribution	1,185,505	689,171
Amortization of capital assets	(1,194,305)	(697,371)
Accrued vacation expense	(286,863)	(16,341)
Accrued severance expense	(182,271)	(64,155)
Deficit on operations	$ (2,304,768)	$ (1,106,384)

See accompanying notes to financial statements.

SCHEDULE 3

HEALTH LABRADOR CORPORATION

CAPITAL FUND
FUNDING AND EXPENDITURE FOR GOVERNMENT REPORTING
FOR THE YEAR ENDED MARCH 31, 1998

	1998	1997
Sources of funds		
Provincial capital equipment grant in current year	$ 543,000	$ 479,000
Add: deferred capital grant from prior year	387,703	437,591
Less: deferred capital grant from current year	(154,666)	(387,703)
	776,037	528,888
Donation from Board Funds	1,467,927	113,751
Total funding	2,243,964	642,639
Expenditures		
Land improvements	10,460	42,195
Equipment	2,230,655	500,660
Repairs and maintenance	2,849	86,665
Transfer to Board Funds	-	14,811
	2,243,964	644,331
Deficit on capital purchases	$ -	$ (1,692)

See accompanying notes to financial statements.

SCHEDULE 4

HEALTH LABRADOR CORPORATION

ACCUMULATED OPERATING SURPLUS (DEFICIT)
FOR GOVERNMENT REPORTING
FOR THE YEAR ENDED MARCH 31, 1998

	Combined Funds	
	1998	1997
Current assets		
Cash and short term investments	$ 364,583	$ 2,044,718
Accounts receivable	1,434,291	1,531,391
Inventory	508,946	494,242
Prepaid expenses	131,472	153,923
Total current assets	2,439,292	4,224,274
Current liabilities		
Bank indebtedness	1,001,249	-
Accounts payable and accrued liabilities	1,751,531	1,342,133
Deferred grants - provincial government	181,666	387,703
Due to Board Funds	997,919	2,022,757
Due to Endowment Funds	215,917	215,917
Total current liabilities	4,148,282	3,968,510
Accumulated operating surplus (deficit)	$ (1,708,990)	$ 255,764

See accompanying notes to financial statements.

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

**To the Chairperson and Members
Heritage Foundation of
Newfoundland and Labrador
St. John's, Newfoundland**

I have audited the balance sheet of the Heritage Foundation of Newfoundland and Labrador as at 31 March 1999 and the statement of revenue, expenditure and fund balance for the year then ended. These financial statements are the responsibility of the Foundation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Foundation as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

**ELIZABETH MARSHALL, C.A.
Auditor General**

**St. John's, Newfoundland
8 June 1999**

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR

BALANCE SHEET

31 MARCH 1999

	1999	1998
ASSETS		
Current		
Cash	$ 6,269	$160,112
Investments, at cost (Note 2)	815,763	255,543
Accounts receivable	4,893	14,266
Investment income receivable (Note 3)	89,969	75,624
Prepaid expenses	200	3,989
	917,094	509,534
Capital assets		
Office furniture and equipment	25,465	33,208
Less: expensed in year of acquisition	25,465	33,208
	-	-
Assets held in trust (Note 4)	-	6,690
	$917,094	$516,224
LIABILITIES AND FUND BALANCE		
Current		
Accounts payable and accrued liabilities	$ 2,482	$ 2,305
Deferred revenue (Note 5)	407,383	-
	409,865	2,305
Trust fund balance (Note 4)	-	6,690
Fund balance (Note 6)	507,229	507,229
	$917,094	$516,224

See accompanying notes

Signed on behalf of the Foundation: ______________ **Chairperson** Ruth Canning **Member**

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR

STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCE

FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
REVENUE		
Province of Newfoundland (Note 7)	$193,247	$ 720
Investment income	50,108	38,704
Government of Canada (Note 8)	10,301	20,977
Miscellaneous	792	795
Canadian Museums Association	-	15,445
Helen Creighton Foundation	-	250
	254,448	76,891
EXPENDITURE		
Board travel and meetings	4,135	6,549
Easement registration	1,583	640
Heritage grants	101,869	28,883
Inventory of historical structures	28,897	8,028
Miscellaneous	3,004	2,672
Office furniture and equipment	4,926	2,013
Office supplies	4,701	4,512
Plaquing	9,225	6,204
Professional fees	9,749	14,039
Public relations	3,064	1,588
Salaries and benefits	72,794	86,519
Special projects	5,795	1,987
Telephone	1,398	2,312
Travel	3,308	3,360
	254,448	169,306
Excess of expenditure over revenue	-	(92,415)
Fund balance, beginning of year	507,229	599,644
Fund balance, end of year	$507,229	$507,229

See accompanying notes

HERITAGE FOUNDATION OF NEWFOUNDLAND AND LABRADOR

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

The Heritage Foundation of Newfoundland and Labrador (the Foundation) operates under the authority of the Historic Resources Act. Its affairs are managed by members of the Foundation appointed by the Lieutenant-Governor in Council.

The objectives of the Foundation are:

(a) to stimulate an understanding of and appreciation for the architectural heritage of the Province;

(b) to support and contribute to the preservation, maintenance and restoration of buildings and other structures of architectural or historical significance in the Province; and

(c) to contribute to the increase and diffusion of knowledge about the architectural heritage of the Province.

1. Significant accounting policies

These financial statements have been prepared by the Foundation in accordance with generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Capital assets

Capital assets are capitalized at cost at the time of acquisition and are charged to expenditure in the year of acquisition.

(b) Investment income

Investment income is recorded on a straight line basis over the term of the investments.

2. Investments

	Cost	Market Value
Ontario Hydro - Coupons	$105,562	$138,796
Province of British Columbia - Coupons	99,706	146,908
Scotia Money Market Fund	110,495	110,495
Bank of Nova Scotia Note	500,000	496,250
	$815,763	$892,449

3. Investment income receivable

	1999	1998
Investment income receivable	$92,271	$77,926
Less: allowance for doubtful accounts	(2,302)	(2,302)
	$89,969	$75,624

4. Trust fund

During 1998-99, the Foundation administered funds on behalf of the following entities: the Bronfman Foundation for purposes of providing a Heritage Fair for students of the Province; the Province for the Creoula project; and the Newfoundland Historic Trust for purposes of providing student employment.

These funds do not form part of the assets of the Foundation and accordingly if there are trust assets at year end, a trust asset and a corresponding liability is recorded representing the amount of funds held by the Foundation.

Prior to 31 March 1999, the Bronfman Foundation funds were turned over to another agency to administer and the Newfoundland Historic Trust and the Creoula projects were completed.

5. Deferred revenue

During the year, the Foundation received an operating grant of $600,000 from the Province of Newfoundland to help defray future operating expenditures. The revenue will be recognized in future operating periods as expenditures are incurred.

Operating grant received during year	$600,000
Less: recognized in income during year	(192,617)
Balance, end of year	$407,383

6. Fund balance

Section 25 of the Historic Resources Act requires the Foundation to maintain a fund of monies voted to it by the Legislature and of other monies received by way of gift, bequest, donation or otherwise. Disbursements from the fund may be made by the Foundation for the purposes set out in the legislation.

At a Board meeting in June 1994, the Board adopted a new policy with respect to grant commitments. All grants approved will be available for a period of two years from the date of grant approval. Clients not utilizing the grants within this timeframe will forfeit their right to these grants.

6. Fund balance (cont.)

As at 31 March 1999, $301,276 (1998 - $236,669) of this fund has been committed in the form of grants approved but not yet disbursed or rescinded. These grants have been approved for the following:

	1999	1998
Registered Heritage Structure	$172,681	$ 95,574
Heritage District - Harbour Grace	128,595	141,095
Committed funds	301,276	236,669
Uncommitted funds	205,953	270,560
	$507,229	$507,229

7. Province of Newfoundland

	1999	1998
Operating grant	$192,617	$ -
Student Work and Service Program	630	720
	$193,247	$ 720

8. Government of Canada

	1999	1998
Canadian Heritage / Culture Net	$ 5,508	$ -
Young Canada Works in Heritage	3,072	-
Human Resources Development Canada - Summer Career Placement Program	1,721	5,077
Young Canada Works in Service and Technology	-	10,000
Cultural Human Resources Council	-	5,900
	$ 10,301	$20,977

9. Related party transactions

(a) The Board leases office space from the Province of Newfoundland at an annual rate of $1.

(b) The Foundation received $600,630 (1998 - $720) from the Province of Newfoundland.

10. Income taxes

The Foundation is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

11. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

12. Uncertainty due to Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or other third parties, will be fully resolved.

HOTEL BUILDINGS LIMITED

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Chairman and Members
Hotel Buildings Limited
St. John's, Newfoundland

I have audited the balance sheet of Hotel Buildings Limited as at 31 March 1999 and the statement of income and deficit for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
10 June 1999

HOTEL BUILDINGS LIMITED

BALANCE SHEET

31 MARCH 1999

	1999	1998
ASSETS		
Current		
Cash	$ 54,478	$ 151,587
Accounts receivable	556	6,021
	55,034	157,608
Capital assets (Note 2)	22,034	61,040
	$ 77,068	$ 218,648
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 4,250	$ 4,142
Due to Province of Newfoundland (Note 5)	26,044,202	26,474,202
	26,048,452	26,478,344
SHAREHOLDERS' DEFICIT		
Share capital		
Authorized 100 common shares of no par value Issued and fully paid 3 common shares	3,000	3,000
Deficit	(25,974,384)	(26,262,696)
	$ 77,068	$ 218,648
Contingent liability (Note 4)		

See accompanying notes

Signed on behalf of the Board: ______ Chairperson ______ Director

HOTEL BUILDINGS LIMITED

STATEMENT OF INCOME AND DEFICIT

FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
INCOME		
Interest and investment income	$ 4,578	$ 4,323
Other income	-	1,000
	4,578	5,323
OPERATING EXPENSES		
Real estate commission	17,475	-
Property taxes	5,123	-
General and administrative	2,750	2,179
Miscellaneous	895	-
Professional services	517	9,513
Guarantee fees	-	17,500
	26,760	29,192
	(22,182)	(23,869)
Gain on sale of land	310,494	-
Net income (loss) for the year	288,312	(23,869)
Deficit, beginning of year	(26,262,696)	(26,238,827)
Deficit, end of year	$(25,974,384)	$(26,262,696)

See accompanying notes

HOTEL BUILDINGS LIMITED

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

Hotel Buildings Limited (the Corporation) was incorporated on 18 March 1966 under the *Corporations Act* of the Province of Newfoundland for the purpose of financing the construction of various hotels throughout the province. The affairs of the Corporation are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province of Newfoundland.

1. Significant accounting policy

These financial statements have been prepared by the Corporation in accordance with generally accepted accounting principles. Outlined below is the significant accounting policy followed.

Capital assets

All capital assets are capitalized at cost at the time of acquisition. There is no provision made for amortization of capital assets.

2. Capital assets

	1999	1998
St. John's		
Land	$ -	$ 39,006
Clarenville		
Land	22,034	22,034
	$22,034	$ 61,040

On 18 December 1995, the Corporation disposed of the hotel properties located at St. John's, Clarenville, Gander and Corner Brook and on 22 March 1996, disposed of the Hotel Port aux Basques.

3. Income taxes

The entity is a Crown corporation of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

4. Contingent liability

On 20 September 1996 the Corporation was notified that a claim had been filed by several former employees of the Hotel Port aux Basques. The claim is against Atlific (Nfld.) Limited, First Defendant, Hotel Buildings Limited, Second Defendant, and Hotel Port aux Basques Limited, Third Defendant. The Plaintiffs claim that they were unjustly dismissed by Atlific on 21 March 1996 and by Hotel Port aux Basques on 15 April 1996. There is no specific claim of unjust dismissal against Hotel Buildings Limited, except that the Plaintiffs allege that the Corporation "was obligated to ensure that the Plaintiffs herein were given reasonable notice of the termination of their employment by [Atlific]".

While there exists a good defence to the above claim, it has not progressed far enough to enable the formation of a definite opinion as to its outcome; thus, the likelihood and the amount of any loss to the Corporation is not determinable at this time.

5. Due to Province of Newfoundland

As the Corporation has disposed of its hotel properties, future income from hotel operations will no longer accrue to the Corporation. Due to the significance of this income stream to the Corporation, its remaining operations are expected to be minimal in the future. Therefore, it is not anticipated that funds will become available to repay the Corporation's liability to the Province.

6. Financial instruments

The Corporation's financial instruments recognized in the Balance Sheet consist of cash, accounts receivable, and accounts payable and accrued liabilities, the carrying values of which approximate fair value due to the short-term maturity associated with these instruments.

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION

NON-PROFIT ORGANIZATION

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

MARCH 31, 1998

J. F. Gough

Chartered Accountant

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308 LeMarchant Road
St. John's, Newfoundland

Mailing Address:
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AUDITOR'S REPORT

To: The Executive

The John Cabot (1997) 500th. Anniversary Corporation

I have audited the Balance Sheet of The John Cabot (1997) 500th. Anniversary Corporation as at March 31, 1998 and the Statements of Surplus, Revenue and Expenditures and Changes in Financial Position for the year then ended. These financial statements are the responsibility of the Corporation. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly in all material respects, the financial position of The John Cabot (1997) 500th. Anniversary Corporation as at March 31, 1998, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

St. John's, Newfoundland

June 2, 1998

J.F. Gough

Chartered Accountant

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION
NON-PROFIT ORGANIZATION
BALANCE SHEET
MARCH 31, 1998

ASSETS

	1998	1997
Current		
Cash	$ 285,568	$ 797,331
Harmonized Sales Tax recoverable	19,737	37,962
Accounts receivable	4,214	23,688
	309,519	858,981
Restricted Amounts Receivable - (Note 3)	-	128,365
Capital Assets - (Notes 1(C) and 2)	116,766	116,766
	$ 426,285	$1,104,112

LIABILITIES

	1998	1997
Current		
Accounts payable	$ 24,195	$ 221,461
Accrued liabilities	75,120	101,282
	99,315	322,743

SURPLUS

	1998	1997
Equity in Capital Assets	116,766	116,766
Appropriations for 1997 expenses	-	128,365
Surplus, per accompanying statement	210,204	536,238
	326,970	781,369
	$ 426,285	$1,104,112

ON BEHALF OF THE CORPORATION:

President

Treasurer

See Accompanying Notes

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION

NON-PROFIT ORGANIZATION

STATEMENT OF SURPLUS

YEAR ENDED MARCH 31, 1998

	1998	1997
Surplus, beginning	$536,238	$366,481
Excess (Shortfall) of Revenue Over Expenditures	(507,184)	180,257
Write-off of 1995 account payable - Enterprise Newfoundland and Labrador	52,785	-
Release (Restriction) of amounts Accommodations and Exhibits	128,365	(10,500)
Surplus, ending	$210,204	$536,238

See Accompanying Notes

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION

NON-PROFIT ORGANIZATION

STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31, 1998

	1998	1997
Revenue		
Summit of the Sea - registration fees	$ 119,212	$ -
Choral Festival - ticket sales	122,237	-
Choral Festival - registration fees	11,896	85,899
Provincial Government Funding	3,185,000	2,900,000
Interest	10,822	15,445
Sponsorships	468,050	100,000
Grants - Federal Government	180,700	19,000
Merchandising Fees	25,528	29,316
Total Revenue	4,123,445	3,149,660
Expenditures - Schedule I	4,630,629	2,969,403
Excess (Shortfall) of Revenue Over Expenditures	$ (507,184)	$ 180,257

See Accompanying Notes

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION

NON-PROFIT ORGANIZATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED MARCH 31, 1998

	1998	1997
Operating activities:		
Excess (shortfall) of revenue over expenditures	$ (507,184)	$ 180,257
Non-cash item		
Capital expenditure out of revenue	-	5,461
	(507,184)	185,718
Change in operating capital other than cash:		
Harmonized Sales Tax recoverable	18,225	(33,052)
Accounts receivable	19,474	10,283
Restricted Amounts Receivable	128,365	(10,500)
Accounts payable	(197,266)	127,054
Accrued liabilities	(26,162)	85,608
Cash provided by (used in) operating activities	(564,548)	365,111
Investing activities:		
Purchase of capital assets	-	(5,461)
Cash used in investing activities	-	(5,461)
Financing activities:		
Write-off of trade payable to surplus	52,785	-
Cash provided by financing activities	52,785	-
Increase (Decrease) in cash	(511,763)	359,650
Cash position, beginning	797,331	437,681
Cash position, ending	$ 285,568	$ 797,331

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION

NON-PROFIT ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1998

1. SIGNIFICANT ACCOUNTING POLICIES

A. Structure and Mandate

The John Cabot (1997) 500th. Anniversary Corporation is a "non-profit" organization established by the Government of Newfoundland and Labrador. In October, 1996 the Corporation was reorganized whereby it became a Crown Corporation. The Corporation's mandate is to plan, organize and oversee events to mark the significance of the 500th. anniversary of the voyage of John Cabot to Newfoundland and Labrador.

B. Revenue Recognition

Revenue Recognition is based on budgeted operating funds allocated from the Province of Newfoundland and Labrador. However, as a Crown Corporation, it can carry unexpended funds forward to future periods.

In previous years, the Corporation operated on funding contributions from the Provincial and Federal Governments. It was required to establish expenditures in order to earn entitlement to the contributions. Funding was directly linked to the period in which expenditures were incurred by the Corporation and submitted for reimbursement by the Provincial and Federal Governments. Management, therefore, accrued income based upon expenditures incurred.

Revenue from ticket sales and corporate sponsorships is recorded in the records when received.

C. CAPITAL ASSETS

i) Capital Assets

Capital assets, other than leased assets described below, are expensed in the year but also recorded as capital assets and equity in the balance sheet. Amortization is not recorded within the financial statements.
Capital assets disposed of are deleted from the accounts at their original cost.

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION

NON-PROFIT ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1998

1. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

   ii) Leased Assets

   All assets that are leased are expensed in the period in which the leases are contractually due.

2. CAPITAL ASSETS

	1998			1997
	Cost	Accumulated Amortization	Net	Net
Furniture and Equipment	$116,766	$ -	$116,766	$116,766

3. RESTRICTED AMOUNTS RECEIVABLE

   The restricted amounts receivable were transferred to expenses during the year as this account underwrote the cost of and provision for accommodation services and exhibit space for the 1997 celebrations.

4. CONTINGENCIES

   i) In November 1995 all employees of the Corporation had their employment contracts terminated. Several of these employees have commenced legal action against the Corporation for wrongful dismissal. Should the claimants succeed, the claim amounts could exceed, in aggregate, $600,000.

   ii) Non-Resident Withholding Taxes

   The corporation is contingently liable to Revenue Canada for failure to deduct non-resident withholding taxes on amounts paid to the Bristol International Festival of The Sea Limited (The Matthew). The assessment would be in excess of $130,000 plus interest and penalties.

4. CONTINGENCIES - (cont'd)

Section 223(10) confers upon the Minister of National Revenue a discretionary authority to assess a person who fails to make an assessment. Consequently, under laws of general application, the minister need not issue this assessment.

It is the province's view that Revenue Canada should not issue an assessment against the Department of Tourism, Culture and Recreation and/or the Corporation. Further, it is the province's view that the Department of Tourism, Culture and Recreation and/or Cabot would be constitutionally immune from such an assessment.

Schedule I

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION

NON-PROFIT ORGANIZATION

EXPENDITURES

MARCH 31, 1998

	1998	1997
Salaries	$ 322,110	$ 394,772
Employee benefits	57,953	27,583
Rent	90,861	79,122
Office	14,109	22,355
Telephone and fax	20,335	15,058
Travel	33,981	25,172
Meetings	3,730	2,539
Equipment leasing	14,954	10,376
Miscellaneous	5,642	2,428
Postage	22,298	8,113
Fees and subscriptions	75	851
Consulting fees	6,164	7,826
Audit fees	3,975	4,114
Main Events	2,795,095	387,962
Regional Events	666,952	1,390,726
Marketing and communications	363,430	584,945
Capital Assets	–	5,461
Protocol	70,914	–
Closing concert	138,051	–
	$4,630,629	$2,969,403

See Accompanying Notes

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION

NON-PROFIT ORGANIZATION

AUDITOR'S REPORT AND FINANCIAL STATEMENTS

MARCH 31, 1999

J. D. Gough

Chartered Accountant

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AUDITOR'S REPORT

To: The Executive
The John Cabot (1997) 500th. Anniversary Corporation

I have audited the Balance Sheet of The John Cabot (1997) 500th. Anniversary Corporation as at March 31, 1999 and the Statements of Surplus, Revenue and Expenditures and Changes in Financial Position for the year then ended. These financial statements are the responsibility of the Corporation. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly in all material respects, the financial position of The John Cabot (1997) 500th. Anniversary Corporation as at March 31, 1999, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

J. F. Gough

Chartered Accountant

St. John's, Newfoundland

September 14, 1999

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION

NON-PROFIT ORGANIZATION

BALANCE SHEET

MARCH 31, 1999

ASSETS

	1999	1998
Current		
Cash	$ 192,983	$ 285,568
Harmonized Sales Tax recoverable	3,018	19,737
Accounts receivable	664	4,214
	196,665	309,519
Capital Assets - (Notes 1(C) and 2)	-	116,766
	$ 196,665	$ 426,285

LIABILITIES

	1999	1998
Current		
Accounts payable	$ -	$ 24,195
Accrued liabilities	3,975	75,120
	3,975	99,315

SURPLUS

	1999	1998
Equity in Capital Assets - (Note 1(C)(i)	-	116,766
Surplus, per accompanying statement	192,690	210,204
	192,690	326,970
	$ 196,665	$ 426,285

ON BEHALF OF THE CORPORATION:

_______________ President

Thompson _______________ Treasurer

See Accompanying Notes
Contingencies - Note 3

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION
NON-PROFIT ORGANIZATION
STATEMENT OF SURPLUS
YEAR ENDED MARCH 31, 1999

	1999	1998
Surplus, beginning	$210,204	$536,238
Shortfall of Revenue Over Expenditures	(17,514)	(507,184)
Write-off of 1995 account payable - Enterprise Newfoundland and Labrador	-	52,785
Release of amounts - Accommodations and Exhibits	-	128,365
Surplus, ending	$192,690	$210,204

See Accompanying Notes

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION

NON-PROFIT ORGANIZATION

STATEMENT OF REVENUE AND EXPENDITURES

YEAR ENDED MARCH 31, 1999

	1999	1998
Revenue		
Summit of the Sea - registration fees	$ -	$ 119,212
Choral Festival - ticket sales	-	122,237
Choral Festival - registration fees	-	11,896
Provincial Government Funding	-	3,185,000
Interest	8,139	10,822
Sponsorships	-	468,050
Grants - Federal Government	-	180,700
Merchandising Fees	-	25,528
Total Revenue	8,139	4,123,445
Expenditures - Schedule I	25,653	4,630,629
Shortfall of Revenue Over Expenditures	$ (17,514)	$ (507,184)

See Accompanying Notes

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION

NON-PROFIT ORGANIZATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

YEAR ENDED MARCH 31, 1999

	1999	1998
Operating activities:		
Shortfall of revenue over expenditures	$ (17,514)	$ (507,184)
Change in operating capital other than cash:		
Harmonized Sales Tax recoverable	16,719	18,225
Accounts receivable	3,550	19,474
Restricted Amounts Receivable	-	128,365
Accounts payable	(24,195)	(197,266)
Accrued liabilities	(71,145)	(26,162)
Cash used in operating activities	(92,585)	(564,548)
Financing activities:		
Write-off of trade payable to surplus	-	52,785
Cash provided by financing activities	-	52,785
Decrease in cash	(92,585)	(511,763)
Cash position, beginning	285,568	797,331
Cash position, ending	$ 192,983	$ 285,568

See Accompanying Notes

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION

NON-PROFIT ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1999

1. SIGNIFICANT ACCOUNTING POLICIES

A. Structure and Mandate

The John Cabot (1997) 500th. Anniversary Corporation is a "non-profit" organization established by the Government of Newfoundland and Labrador. In October, 1996 the Corporation was reorganized whereby it became a Crown Corporation. The Corporation's mandate was to plan, organize and oversee events to mark the significance of the 500th. anniversary of the voyage of John Cabot to Newfoundland and Labrador. This mandate has been completed.

B. Revenue Recognition

Revenue Recognition is based on budgeted operating funds allocated from the Province of Newfoundland and Labrador. However, as a Crown Corporation, it can carry unexpended funds forward to future periods.

In previous years, the Corporation operated on funding contributions from the Provincial and Federal Governments. It was required to establish expenditures in order to earn entitlement to the contributions. Funding was directly linked to the period in which expenditures were incurred by the Corporation and submitted for reimbursement by the Provincial and Federal Governments. Management, therefore, accrued income based upon expenditures incurred.

C. CAPITAL ASSETS

i) Capital Assets

All capital assets were transferred to the Department of Tourism, Culture and Recreation for nil value. This disposition was recorded in the accounts as a reduction in Equity in Capital Assets at original cost.

ii) Leased Assets

All assets that are leased are expensed in the period in which the leases are contractually due.

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION

NON-PROFIT ORGANIZATION

NOTES TO FINANCIAL STATEMENTS

MARCH 31, 1999

2. CAPITAL ASSETS

	1999			1998
	Cost	Accumulated Amortization	Net	Net
Furniture and Equipment	$ -	$ -	$ -	$116,766

3. CONTINGENCIES

i) In November 1995 all employees of the Corporation had their employment contracts terminated. Several of these employees have commenced legal action against the Corporation for wrongful dismissal. Should the claimants succeed, the claim amounts could exceed, in aggregate, $600,000.

ii) Non-Resident Withholding Taxes

The corporation is contingently liable to Revenue Canada for failure to deduct non-resident withholding taxes on amounts paid to the Bristol International Festival of The Sea Limited (The Matthew). If an assessment is issued by Revenue Canada the amount of the withholding tax liability would exceed $130,000 plus an indeterminate amount of interest and penalties.

Section 223(10) confers upon the Minister of National Revenue a discretionary authority to assess a person who fails to make an assessment. Consequently, under laws of general application, the minister need not issue this assessment.

It is the province's view that Revenue Canada should not issue an assessment against the Department of Tourism, Culture and Recreation and/or the Corporation. Further, it is the province's view that the Department of Tourism, Culture and Recreation and/or Cabot would be constitutionally immune from such an assessment.

Schedule I

THE JOHN CABOT (1997) 500TH. ANNIVERSARY CORPORATION

NON-PROFIT ORGANIZATION

EXPENDITURES

MARCH 31, 1999

	1999	1998
Salaries	$ -	$ 322,110
Employee benefits	-	57,953
Rent	-	90,861
Office	384	14,109
Telephone and fax	-	20,335
Travel	465	33,981
Meetings	-	3,730
Equipment leasing	-	14,954
Miscellaneous	-	5,642
Postage	-	22,298
Fees and subscriptions	810	75
Consulting fees	-	6,164
Audit fees	3,975	3,975
Main Events	20,019	2,795,095
Regional Events	-	666,952
Marketing and communications	-	363,430
Capital Assets	-	-
Protocol	-	70,914
Closing concert	-	138,051
	$ 25,653	$4,630,629

See Accompanying Notes

LABRADOR SCHOOL BOARD

AUDITORS' REPORT
AND
FINANCIAL STATEMENTS

FOR THE YEAR ENDED JUNE 30, 1998

WALTER P. MILLER & COMPANY

Chartered Accountants

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David Bishop, C.A.
Boyde Clarke, B.Comm., C.A.
Peter Miller, B.Comm., C.A.
Darryl Winsor, B.Comm., C.A.

Principal
Raymond White, C.G.A.

AUDITORS' REPORT

To the Members of the **Labrador School Board**

We have audited the balance sheet of the current and capital funds of the **Labrador School Board** as at June 30, 1998, and the statements of current revenues, expenditures and Board equity (deficit), and changes in capital fund for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 1998, and the results of its operations and changes in its capital financial position for the year then ended in accordance with generally accepted accounting principles and as explained in Note 1 to the financial statements, and are in compliance with reporting requirements established for School Boards in the Province of Newfoundland and Labrador by the Department of Education.

Walter P. Miller & Company
CHARTERED ACCOUNTANTS

St. John's, Newfoundland
July 31, 1998

LABRADOR SCHOOL BOARD
BALANCE SHEET
AS AT JUNE 30, 1998

ASSETS

	1998	1997
Current		
Restricted cash (Note 2)	$ -	$ 253,943
Accounts receivable (Note 3)	3,334,287	982,598
Prepaid expenses (Supp. Info.)	93,319	46,921
Total Current Assets	3,427,606	1,283,462
Property and equipment (Schedule 7)	41,419,152	41,043,849
	$ 44,846,758	$ 42,327,311

LIABILITIES AND BOARD EQUITY

	1998	1997
Current liabilities		
Bank overdraft (Note 4)	$ 393,901	$ 904,440
Accounts, payable and accrued (Notes 5 and 7)	3,367,342	573,195
Current maturities (Schedule 8)	38,692	25,328
Total Current Liabilities	3,799,935	1,502,963
Accrued severance pay	4,580,438	5,001,562
Long-term debt (Schedule 8 and Note 8)	322,009	379,561
Contingent liability (Note 7)		
Investment in Capital Assets (Note 6)	41,058,450	40,638,960
Board Deficit	4,914,074	5,195,735
	36,144,376	35,443,225
	$ 44,846,758	$ 42,327,311

Approved:

R. Boon, Chairman   G Elliott, Treasurer

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
STATEMENT OF CURRENT REVENUES, EXPENDITURES AND BOARD EQUITY (DEFICIT)
FOR THE YEAR ENDED JUNE 30, 1998

	12 Months 1998	6 Months 1997
Current Revenues (Schedule 1)		
Provincial Government Grants	$ 29,081,111	$ 14,493,331
Ancillary Services	575,955	254,293
Miscellaneous	3,667,876	1,784,250
	33,324,942	16,531,874
Current Expenditures		
Administration (Schedule 2)	1,394,275	1,077,242
Instruction (Schedule 3)	26,566,903	13,199,524
Operations and maintenance (Schedule 4)	3,378,684	1,574,435
Pupil transportation (Schedule 5)	1,734,598	1,039,304
Ancillary services (Schedule 6)	134,485	67,028
Debt charges (Schedule 8B)	32,623	9,221
	33,241,568	16,966,754
Excess of revenue over expenditure (expenditure over revenue) before transfer to capital	83,374	(434,880)
Transfer to capital	(86,957)	(32,624)
Excess of expenditure over revenue for year	(3,583)	(467,504)
Board deficit, beginning		
As previously recorded	5,195,735	504,281
Deficit adjustments (Note 10)	(285,244)	4,223,950
As restated	4,910,491	4,728,231
Board deficit, ending	$ 4,914,074	$ 5,195,735

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
STATEMENT OF CHANGES IN CAPITAL FUND
FOR THE YEAR ENDED JUNE 30, 1998

	12 Months 1998	6 Months 1997
Capital Receipts		
Bank loan	$ -	$ 49,425
Grants		
School construction and equipment	366,656	438,357
Asset transfer - Labrador West School Bus Committee	-	860,669
	366,656	1,299,026
Proceeds on sale of capital assets	601	4,259
Transfer from current fund	86,957	32,624
Total Capital Receipts	$ 454,214	$ 1,385,334
Capital Disbursements		
Additions to Property, Equipment and Buildings (Schedule 7)	$ 410,026	$ 1,206,900
Principal Repayment of Loans (Schedule 8A)	44,188	178,434
Total Capital Disbursements	$ 454,214	$ 1,385,334

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

1. Significant Accounting Policies

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self-balancing group of accounts is provided for each fund". It is customary for School Boards to account separately for the current and capital funds.
A summary of significant accounting policies adopted by the Board, relating to their use of fund accounting, is as follows:

(A) Grants received by the Board are recorded in either the current or capital funds depending on their source.

(B) Capital asset additions are recorded at full cost on the balance sheet. Capital asset disposals are recorded at original cost as a reduction in the capital asset and investment in capital assets accounts. Proceeds from disposals are treated as capital receipts.

(C) The Board does not calculate or record amortization on any of its capital assets.

(D) All capital expenditures financed out of current revenue funds are recorded as expenditures in the current account.

(E) Principal repayments of bank loans are recorded as Capital Expenditures.

2. Restricted Cash

Restricted cash is comprised of Nil (1997-$253,943), which was received from the Government of Newfoundland and Labrador. These funds were provided for a specific purpose and were not expended as at June 30, 1997. Of this amount, $138,700 was for the purchase of computer equipment for students while the remaining $115,243 was for the purchase of buses.

3. Accounts Receivable

	1998	1997
Current		
Federal Government	$ 121,580	$ 166,702
Provincial Government	3,056,674	559,373
Innu Nation	17,845	118,865
Travel advances and miscellaneous	138,188	137,658
	$ 3,334,287	$ 982,598

4. Bank Overdraft

Bank overdraft is comprised of a current account balance of $16,099 and an operating line of $410,000 which bears interest at a rate of prime less 1/4% and is secured by a guarantee of the Department of Education.

5. Accounts, Payable and Accrued

	1998	1997
Current (Note 7)		
Trade payables	$ 209,448	$ 255,425
Accrued liabilities	3,018,422	9,227
Payroll deductions	2,916	(6,732)
Deferred revenue	124,633	301,570
Other	11,923	13,705
	$ 3,367,342	$ 573,195

6. Investment in Capital Assets

	12 Months 1998	6 Months 1997
Investment in capital assets, beginning of year	$ 40,638,960	$ 39,441,945
Add: Grants - Contribution for capital construction	366,655	1,299,026
Transfer from current fund	86,957	32,624
Proceeds on disposal of capital assets	601	4,259
	454,213	1,335,909
Less: Cost of assets disposed	(34,723)	(138,894)
Investment in capital assets, end of year	$ 41,058,450	$ 40,638,960

7. Contingent Liability

During 1995, the Board received an invoice in the amount of $116,355 for school repairs from the Department of National Defense related to a school leased by the Board. The Board feels that it is not liable for these repairs and is contesting the amount. If it is determined the Board is liable for this amount, it will be treated in accordance with generally accepted accounting principles in the year such a determination is made.

8. Long-term Debt

Principal payments required during the next five years are as follows

1999	$ 38,692
2000	$ 35,860
2001	$ 35,860
2002	$ 35,860
2003	$ 35,860

9. Other Matters

Effective January 1, 1997, the Labrador School Board was formed through the amalgamation of the Labrador West Integrated School Board, the Labrador East Integrated School Board and the Roman Catholic School Board for Labrador.

The amalgamation was accounted for using the pooling of interests method, whereby the assets and liabilities of each School Board were combined to become the assets of the new Labrador School Board. The amalgamated balance sheet at January 1, 1997 was comprised as follows:

.../Continued

9. Other Matters (Continued)

	Roman Catholic School Board for Labrador	Labrador West Integrated School Board	Labrador East Integrated School Board	Labrador School Board
ASSETS				
Current				
Cash	$ 252,709	$ -	$ -	$ 65,308
Accounts receivable	686,889	415,107	151,123	1,253,119
Prepaid expenses	-	-	144,550	144,550
	939,598	415,107	295,673	1,462,977
Capital assets	12,056,165	9,598,988	18,320,689	39,975,842
	$ 12,995,763	$ 10,014,095	$ 18,616,362	$ 41,438,819
LIABILITIES				
Current				
Bank indebtedness	-	80,912	106,489	-
Accounts payable	688,510	329,901	289,858	1,308,269
Current portion of long-term debt	21,440	8,334	19,000	48,774
	709,950	419,147	415,347	1,357,043
Accrued severance pay	254,874	278,568	125,547	658,989
Long-term debt	99,176	6,250	379,699	485,125
	1,064,000	703,965	920,593	2,501,157
EQUITY				
Surplus (deficit)	(3,786)	(274,274)	(226,221)	(504,281)
Investment in capital	11,935,549	9,584,404	17,921,990	39,441,943
	11,931,763	9,310,130	17,695,769	38,937,662
	$ 12,995,763	$ 10,014,095	$ 18,616,362	$ 41,438,819

LABRADOR SCHOOL BOARD
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 1998

10. Deficit Adjustments

	1998	1997
Write-off of accounts payable of the Roman Catholic School Board for Labrador at the direction of the Provincial Department of Education.	$ -	$(175,600)
Transfer of net deficit of the Labrador West School Bus Committee at January 1, 1997.	-	74,575
Recording of accrued severance pay related to Teachers' payroll as at June 30, 1997, as per directive of Provincial Government dated November 3, 1997.	-	4,324,975
Adjustment to accrued severance pay related to Teachers' payroll as at June 30, 1998.	(374,029)	-
Retroactive pay to staff as a result of current signing of collective agreement.	85,722	-
Adjustment to prior year's special bussing revenue	3,063	-
	$(285,244)	$ 4,223,950

SCHEDULE 1

LABRADOR SCHOOL BOARD
CURRENT REVENUES
FOR THE YEAR ENDED JUNE 30, 1998

	12 Months 1998	6 Months 1997
Current Revenues		
Provincial Government Grants		
Regular	$ 4,691,429	$ 2,354,626
Special grants	176,027	62,605
Salaries and benefits		
Superintendents and assistant superintendents	311,670	239,406
Regular teachers	22,249,082	10,934,382
Pupil transportation	1,652,903	902,312
	29,081,111	14,493,331
Ancillary Services		
Revenues from rental of properties	575,955	254,293
Miscellaneous		
Interest on investments	12,813	7,849
Mining company grant	1,434,000	717,048
Operating revenues from Native Peoples Grant	1,593,805	1,047,803
Innu Nation Grant	132,391	-
Sundry revenue	80,755	19,064
Textbook revenue	92,985	(7,514)
Federal Government Grants	133,096	-
Grant - International Grenfell Association	84,141	-
Francophone Programs	103,890	-
	3,667,876	1,784,250
Total Current Revenues	$ 33,324,942	$ 16,531,874

See accompanying notes to financial statements.

SCHEDULE 2

LABRADOR SCHOOL BOARD
ADMINISTRATION EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1998

	12 Months 1998	6 Months 1997
Salaries and Benefits		
Superintendents and assistant superintendents	$ 376,004	$ 275,138
Board office personnel	515,318	323,862
Office supplies	28,749	12,347
Replacement furniture and equipment	4,483	16,036
Postage	18,153	8,771
Telephone	66,276	33,938
Office equipment rentals and repairs	39,492	13,297
Electricity	11,763	6,152
Insurance	9,350	4,575
Travel	101,497	81,025
Board meeting expenses	73,554	81,979
Professional fees	32,099	79,305
Advertising	32,442	20,629
Membership dues	25,977	12,533
Municipal service fees	2,150	618
Miscellaneous	17,740	10,712
Payroll tax	10,757	7,957
Repairs and maintenance	822	80,200
Rent	27,649	8,168
Total Administration Expenditures	$ 1,394,275	$ 1,077,242

See accompanying notes to financial statements.

SCHEDULE 3

LABRADOR SCHOOL BOARD
INSTRUCTION EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1998

	12 Months 1998	6 Months 1997
Instructional salaries (gross)		
Teachers' salaries		
Regular	$ 19,931,040	$ 9,672,808
Substitute	459,038	287,670
Board paid	73,897	126,425
Employee benefits	1,795,463	959,497
Augmentation payments	828,757	406,957
Northern travel	245,673	253,226
School secretaries		
Salaries and benefits	451,147	325,621
Librarians		
Salaries and benefits	118,626	75,749
Payroll tax	1,642	1,564
Other instructional salaries and benefits	822,950	589,644
	24,728,233	12,699,161
Instructional materials		
General supplies	286,299	177,363
Library resource materials	35,480	14,179
Teaching aids	145,616	58,075
Textbooks	91,722	(9,864)
Grenfell Library Program	532,525	-
Other	83,167	50,612
	1,174,809	290,365
Instructional furniture and equipment		
Replacement	220,099	1,875
Rentals and repairs	127,067	36,160
	347,166	38,035
Instructional staff travel		
Program co-ordinators	131,994	30,556
Teachers' travel	11,807	4,376
Students' travel	11,975	10,152
Inservice and conferences	150,029	115,168
	305,805	160,252
Other instructional		
Postage	10,817	2,549
Secondary V subsidy	73	9,162
	10,890	11,711
Total Instruction Expenditures	$ 26,566,903	$ 13,199,524

See accompanying notes to financial statements.

SCHEDULE 4

LABRADOR SCHOOL BOARD
OPERATIONS AND MAINTENANCE EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1998

	12 Months 1998	6 Months 1997
Salaries and benefits		
Janitorial	$ 1,033,916	$ 453,634
Maintenance	473,152	215,568
Computer technologists	119,166	43,555
Payroll tax	25,918	13,101
Electricity	409,419	231,961
Fuel	419,753	251,482
Municipal service fees	31,138	13,119
Telephone	138,434	60,013
Vehicle operating and travel	23,519	6,685
Janitorial supplies	63,021	17,077
Repairs and maintenance		
Building	407,152	70,130
Equipment	1,111	1,489
Contracted services		
Janitorial	121,606	127,915
Snow clearing	66,463	36,716
Furnace maintenance	44,916	31,990
Total Operation and Maintenance Expenditures	$ 3,378,684	$ 1,574,435

See accompanying notes to financial statements.

SCHEDULE 5

LABRADOR SCHOOL BOARD
PUPIL TRANSPORTATION EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 1998

	12 Months 1998	6 Months 1997
Contracted Services		
Regular transportation	$ 386,522	$ 251,485
Handicapped	111,597	54,049
Salaries and benefits	870,112	528,458
Debt charges - interest	115	1,732
Gas and oil	164,113	99,720
Repairs and maintenance	124,484	79,503
Office operation	51,539	12,143
Miscellaneous	26,116	12,214
Total Pupil Transportation Expenditures	$ 1,734,598	$ 1,039,304

See accompanying notes to financial statements.

SCHEDULE 6

LABRADOR SCHOOL BOARD
ANCILLARY SERVICES
FOR THE YEAR ENDED JUNE 30, 1998

	12 Months 1998	6 Months 1997
Cost of Ancillary Services		
Operation of teachers' residences	$ 134,485	$ 67,028

See accompanying notes to financial statements.

SCHEDULE 8

LABRADOR SCHOOL BOARD
DETAILS OF LONG-TERM DEBT
AS AT JUNE 30,.1998

Bank of Nova Scotia	1998	1997
The loan with an original principal balance of $393,729 is repayable in monthly installments of $2,988.33 including interest at a rate of prime less .25%. The loan is secured by a guarantee of the Department of Education.	$ 357,869	$ 393,729
The loan with an original principal balance of $11,160 is repayable in 16 monthly installments of $694.00 plus interest at a rate of prime less .25%. The loan is secured by a guarantee of the Department of Education.	2,832	11,160
Total long-term debt	360,701	404,889
Less: Current maturities	38,692	25,328
Total long-term debt, net of current maturities	$ 322,009	$ 379,561

See accompanying notes to financial statements.

SCHEDULE 8A

LABRADOR SCHOOL BOARD
SCHEDULE OF LONG-TERM DEBT
FOR THE YEAR ENDED JUNE 30, 1998

	Reference Number	Rate	Balance, Beginning Of Year	Loans Obtained During Year	Principal Repayment For Year	Balance, End of Year
Building Construction	1	Prime - .25%	$ 393,729	$ -	$ 35,860	$ 357,869
Computer	2	Prime - .25%	11,160	-	8,328	2,832
			$ 404,889	$ -	$ 44,188	$ 360,701

See accompanying notes to financial statements.

SCHEDULE 8B

LABRADOR SCHOOL BOARD
SCHEDULE OF DEBT CHARGES
FOR THE YEAR ENDED JUNE 30, 1998

	12 Months 1998	6 Months 1997
Building construction	$ 21,536	$ 3,707
Other	11,087	5,514
	$ 32,623	$ 9,221

See accompanying notes to financial statements.

LABRADOR SCHOOL BOARD
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 1998

	12 Months 1998	6 Months 1997
Prepaid expenses		
Current		
Municipal service fees	$ 12,354	$ 11,284
Textbooks and school supplies	54,177	35,637
Janitorial supplies	26,788	-
	$ 93,319	$ 46,921

See accompanying notes to financial statements.

LABRADOR TRANSPORTATION INITIATIVE FUND

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Chairperson and Members
Labrador Transportation Initiative Fund
St. John's, Newfoundland

I have audited the balance sheet of the Labrador Transportation Initiative Fund as at 31 March 1999 and the statement of revenue, expenditure and fund balance for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
19 May 1999

LABRADOR TRANSPORTATION INITIATIVE FUND

BALANCE SHEET

31 MARCH 1999

	1999	1998
ASSETS		
Current		
Cash	$ 299,537	$ 9,915
Accounts receivable - Province of Newfoundland	-	1,088,830
Investments, at cost (Note 2)	281,361,252	319,568,148
Investment income receivable	6,166,008	1,911,945
	287,826,797	322,578,838
Long-term investment, at cost (Note 2)	10,000,000	-
	$297,826,797	$322,578,838
EQUITY		
Fund balance	$297,826,797	$322,578,838
	$297,826,797	$322,578,838

See accompanying notes

Signed on behalf of the Board: Peter Kennedy **Chairperson** ______________ **Member**

LABRADOR TRANSPORTATION INITIATIVE FUND

STATEMENT OF REVENUE, EXPENDITURE AND FUND BALANCE

FOR THE YEAR ENDED 31 MARCH 1999

(with comparative figures for the period 19 December 1997 to 31 March 1998)

	1999	1998
REVENUE		
Investment income	$ 16,756,235	$ 3,163,733
EXPENDITURE		
Bank charges	2,384	188
Funded initiatives (Note 3)	41,505,892	29,756,720
	41,508,276	29,756,908
Excess of expenditure over revenue	(24,752,041)	(26,593,175)
Fund balance, beginning of period	322,578,838	-
Transfer from the Province	-	349,172,013
Fund balance, end of period	$297,826,797	$322,578,838

See accompanying notes

LABRADOR TRANSPORTATION INITIATIVE FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

The Labrador Transportation Initiative Fund (the Fund) operates under the authority of the Labrador Transportation Initiative Fund Act enacted 19 December 1997. Its affairs are managed by a board of management (the Board) appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province of Newfoundland.

The objective of the Board is to authorize payments from the Fund to the Consolidated Revenue Fund of the Province of Newfoundland for the purpose of the construction of the Trans Labrador Highway, maintenance of marine and ferry services to Labrador and other Labrador initiatives related to transportation which the Lieutenant-Governor in Council may approve.

1. Significant accounting policies

These financial statements have been prepared by the Board in accordance with generally accepted accounting principles based on the recommendations of the Public Sector Accounting Board of the Canadian Institute of Chartered Accountants (CICA). Outlined below is the significant accounting policy followed.

Investment income

Investment income is recorded on a straight line basis over the term of the investments.

2. Investments

Current and long-term investments are valued at face value which approximates market value. Current investments have maturity dates ranging from 9 April 1999 to 11 January 2000 at interest rates which vary from 4.87% to 5.83%. The long-term investment has a maturity date of 20 July 2000 at an interest rate of 5.12%.

3. Funded initiatives

The Board approved the following initiatives for the period ended 31 March 1999.

	Approved amount	Actual claim
Trans Labrador Highway	$36,000,000	$27,400,062
Coastal Labrador Ferry	15,334,000	14,105,830
Total initiatives	$51,334,000	$41,505,892

3. Funded initiatives (Cont.)

The actual claim totals reflect the following adjustments, relating to March 1998, as submitted by the Department of Works, Services and Transportation during October 1998.

Trans Labrador Highway	$150,062
Coastal Labrador Ferry	143,575
	$293,637

The Fund paid the claimed amount noted above to the Department of Works, Services and Transportation representing approved costs incurred.

4. Related party transactions

The Fund is administered by employees of Executive Council and the Department of Finance. These costs of administration are paid directly by the departments and are not reflected in these financial statements.

The following investments were held by the Fund at 31 March 1999:

Description	1999		1998	
	Carrying Value	**Maturity Value**	Carrying Value	Maturity Value
Province of Newfoundland T-Bills - Maturing from 15 April 1999 - 20 May 1999 (1998:16 April 1998 - 23 April 1998)	**$11,865,240**	**$12,000,000**	$33,631,420	$34,000,000
Newfoundland and Labrador Hydro Short Term Notes - Maturing from 20 April 1999 - 20 July 1999 (1998: 20 April 1998 - 20 May 1998)	**10,466,376**	**10,600,000**	19,795,200	20,000,000
	$22,331,616	**$22,600,000**	$53,426,620	$54,000,000

5. Income taxes

The Fund is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Lewisporte/Gander School District

Financial Statements/ Auditor's Report

June 30, 1998

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Chartered Accountants
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Auditors' Report

To the Members of The Lewisporte/Gander School District

We have audited the balance sheet of the current and capital funds of the Lewisporte/Gander School District as at June 30, 1998, and the related statements of current revenues, expenditures and Board deficiency, and statement of changes in capital fund position for the period then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 1998, and the results of its operations and the changes in its capital financial position for the period then ended in accordance with generally accepted accounting principles and as explained in Note 1 to the financial statements and are in compliance with reporting requirements established for school boards in the Province of Newfoundland and Labrador by the Department of Education.

As required by Section 17 of the Schools Act, we report that all employees collecting, receiving and depositing cash are adequately bonded.

Grand Falls-Windsor, Newfoundland
October 10, 1998

Grant Thornton
Chartered Accountants

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9 High Street
Grand-Falls-Windsor
Newfoundland
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Lewisporte/Gander School District

Balance Sheet

June 30	1998	1997
Assets		
Current Assets		
Cash (Supp. Info 1)	$ 335,539	$ 1,037,676
Short Term Investments (Supp. Info 2)		
Accounts Receivable (Note 2)	768,785	973,490
Inventory, at cost	15,194	
Prepaid Expenses (Supp. Info 3)	102,999	114,147
Total Current Assets	1,222,517	2,125,313
Property and Equipment (Sch. 8)	82,476,606	80,804,859
	$ 83,699,123	$ 82,930,172
Liabilities and Board Equity		
Current liabilities		
Bank indebtedness (Note 3)		
Accounts Payable and Accrued (Note 4)	$ 10,724,421	$ 2,319,214
Current Maturities (Sch. 9B)	79,795	15,415
Total Current Liabilities	10,804,216	2,334,629
Long Term Debt (Sch. 9)	455,435	346,278
Board Equity		
Investment in Capital Assets (Note 6)	82,511,430	81,013,218
Reserve Account - Capital (Note 5)		
Reserve Account - Current (Note 5A)		
Board Deficiency (Note 9)	(10,071,958)	(763,953)
Total Board Equity	72,439,472	80,249,265
	$ 83,699,123	$ 82,930,172

Approved: ______________________ Chairperson

______________________ Treasurer

See accompanying notes.

Lewisporte/Gander School District
Statement of Current Revenues, Expenditures and Board Deficiency

Year Ended June 30		1998	Six Months Ended June 30 1997
Current Revenues (Schedule 1)			
Local Taxation			
Provincial Government Grants		$50,946,757	$27,482,782
Donations		425	
Ancillary Services		32,450	33,006
Miscellaneous		833,811	463,706
		51,813,443	27,979,494
Current Expenditures			
Administration (Schedule 2)		1,424,600	806,234
Instruction (Schedule 3)		41,468,005	21,846,180
Operations and Maintenance (Schedule 4)		4,798,686	2,648,237
Pupil Transportation (Schedule 5)		3,624,754	2,316,376
Ancillary Services (Schedule 6)			
Interest Expense (Schedule 9C)		17,736	28,962
Miscellaneous Expenses (Schedule 7)		14,769	102
		51,348,550	27,646,091
23 111	Excess of Revenue over Expenditure Before Teacher Severance and Allowance for Uncollectible Government Grants	464,893	333,403
	Allowance for Uncollectible Government Grants	(239,871)	
	Excess of Revenue over Expenditure Before Teacher Severance	225,022	333,403
	Teacher Severance	(8,583,758)	
	Transfer to Capital	(729,457)	335,220
	Net Decrease in Board Equity	$ (9,088,193)	$ (1,817)

See accompanying notes.

Lewisporte/Gander School District
Statement of Changes in Capital Fund

Year Ended June 30		1998	Six Months Ended June 30 1997
70	Capital Receipt		
71	Proceeds from Bank Loans		
	011 - School Construction		
	012 - Equipment		
	013 - Service Vehicles		
	014 - Pupil Transportation		
	015 - Other	$ 190,000	
72	SCB Grants		
	011 School Construction and Equipment	836,407	
	012 Other		$ 4,089,809
73	Donations		
	011 - Cash Receipts		
	012 - Non-Cash Receipts		
	013 - Restricted Use		
74	Sale of Capital Assets Proceeds		
	011 - Land		
	012 - Buildings	6,036	
	013 - Equipment		
	014 - Service Vehicles		
	015 - Pupil Transportation Vehicles		
	016 - Other		
75	Other Capital Revenues		
	011 - Interest on Capital Fund Investments		
	012 - Premiums on Debentures		
	013 - Recoveries of Expenditures		
	015 - Insurance Proceeds		
	017 - Miscellaneous		
Total Capital Receipts			
77	Transfer from Reserve Account		
78	Transfer to/from Current Fund	729,457	335,221
Total		$ 1,761,900	$ 4,425,030

See accompanying notes.

Lewisporte/Gander School District
Statement of Changes in Capital Fund (cont'd)

Year Ended June 30		1998	Six Months Ended June 30 1997
80	Capital Disbursements		
81	Additions to Property and Equipment		
	011 - Land and Sites	$ 23,514	$ 661
	012 - Building	1,193,013	39,804
	013 - Furniture and Equipment - School	330,440	56,933
	014 - Furniture and Equipment - Other	44,769	3,346
	015 - Services Vehicles		
	016 - Pupil Transportation	153,701	359,409
	017 - Other		
82	Principal Repayment of Loans		
	011 - School Construction		
	012 - Equipment		
	013 - Services Vehicles		
	014 - Other	16,463	3,964,877
83	Miscellaneous Disbursements		
	013 - Other		
Total Capital Disbursements		$ 1,761,900	$ 4,425,030

See accompanying notes.

1. Summary of Significant Accounting Policies

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self-balancing group of accounts is provided for each fund." It is customary for School Boards to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the Board, relating to their use of fund accounting, is as follows:

(a) Grants received by the Board are recorded in either the current or capital funds depending on their source. Grants from the Department of Education are treated as current revenue while those from the School Construction Board are recorded as capital revenues.

(b) Land, buildings and equipment are recorded in the accounts based on estimated values at January 1, 1997. Additions since that date are recorded at full cost in the capital fund.

(c) The Board does not calculate or record depreciation on any of its fixed assets.

(d) All capital expenditures financed out of current revenue funds are recorded as an expenditure in the current account.

(e) Principal Repayment of Pupil Transportation Loans are recorded as Current Expenditures. All other principal repayment of bank loans are recorded as Capital Expenditures.

Severance Pay

The Board has in effect severance pay policies whereby non-teaching staff employees are entitled to a severance payment upon leaving employment with the Board. The Board currently has several different policies which have been carried forward from the respective boards that were dissolved on December 31, 1996 and integrated into the new Board on January 1, 1997. Under these policies, certain employees are entitled to severance pay after nine or more years of service, whereas others are not entitled to severance pay until ten or more years of service have been accumulated. This liability for severance pay has been accrued in the accounts for all employees who have a vested right to receive such payments.

Lewisporte/Gander School District
Notes to the Financial Statements
June 30, 1998

	2. Accounts Receivable	**1998**	**1997**
	Current		
11 131	Provincial Government Grant	$ 224,247	$ 238,755
132	Transportation		
133	Federal Government	133,439	129,737
134	School Taxes		
136	Other School Boards		
137	Rent		
138	Interest		
139	Travel Advances and Misc.	110,899	208,083
	Capital		
11 231	SCB - Construction Grants	189,574	46,418
233	Local Contributions		
234	Other School Boards		
235	Other - Insurance Proceeds (Note 8)	350,497	350,497
		1,008,656	973,490
	Less: Allowance for uncollectible Government grants	(239,871)	
		$ 768,785	$ 973,490

	3. Bank Indebtedness - Current		
21 131	On Operating Credit	$	$
132	On Current Account		
		$	$

Lewisporte/Gander School District
Notes to the Financial Statements
June 30, 1998

	4. Accounts Payable and Accrued	1998	1997
	Current		
21 111	Trade Payables	$ 448,565	$ 34,025
112	Accrued - Liabilities	12,000	17,113
113	- Interest		
114	- Wages	396,612	294,463
115	Payroll Deductions	20,560	56,237
116	Retails Sales Tax		574
117	Deferred Grants	268,589	613,576
118	Other	1,700	1,700
119	Severance Pay - Regular	992,636	986,526
	Teacher	8,583,759	
	Capital		
21 211	Trade Payables		
212	Accrued - Liabilities		
213	- Interest		
217	Deferred Grants		
218	Other		
		$ 10,724,421	$ 2,319,214

5. Reserve Account - Capital

Description:

Balance, beginning of year	$	$
Less: Transfer to Capital Fund		
Add: Transfer from Board Equity		
Balance, end of year	$	$

5A. Reserve Account - Current	1998	1997
Description:		
Balance, beginning of year	$	$
Less: Current Expenditures		
Add: Transfer from Board Equity		
Balance, end of year	$	$

6. Investment in Capital Assets	1998	1997
Investment in Capital Assets, opening balance	**$ 81,013,218**	$ 76,303,015
Add:		
Transfer of Operating Funds to Capital Fund	**729,457**	335,220
Transfer from Reserve		
Grants -SCB - Contribution for Capital Construction		
- Other	**836,409**	359,409
- Debt Repayment		3,730,400
Donations		
Proceeds from Sale of Capital Assets - Land		
- Buildings	**6,036**	
- Vehicles		
Interest on Capital Fund Investments		
Repayment and forgiveness of debt		285,174
Insurance Proceeds - Capital		
Miscellaneous		
	82,585,120	81,013,218
Deduct Adjustments:		
Cost of Assets Sold - Land		
- Buildings	**(73,690)**	
- Equipment		
	(73,690)	
Other - Interest and Licensing Fees		
- Transfer to Operating Fund		
23 221 Investment in Capital Assets, end of year	**$ 82,511,430**	$ 81,013,218

7. Commitments

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8. Other

a) The Lewisporte/Gander School District was created on January 1, 1997 as a result of the reorganization of school boards by the Province of Newfoundland and Labrador. Assets, liabilities and equities of the predecessor boards were allocated to the ten (10) new school districts created by the Province, subject to the terms and conditions contained in section 95 of the 1996 Schools Act.

b) On December 29, 1991 fire partially destroyed the building and contents of Jane Collins Academy in Hare Bay.

School buildings and contents are insured by a Provincial Government blanket policy, covering all the schools in the province which are under the jurisdiction of the Department of Education.

The Board has received $1,296,841 as a result of its claims for this fire and has recorded an account receivable of $350,497 (Note 2). The funds received have essentially come from the Provincial Government as a result of its liability for the deductible portion on each insurance claim.

The balance receivable has been submitted to the insurance company for payment. However, the insurance company has indicated that it does not intend to pay this amount because it feels the Board could have reconstructed the school by salvaging some of the damaged materials.

The Board has taken legal action on this matter and has filed a claim against the insurance company. As at the date of the Auditors' Report there has been no indication of the final settlement of this matter.

9. Board Deficiency

(a) In 1996/97, the Board recorded an account receivable to cover the accumulated operating deficit of $238,755 as of December 31, 1996 of one of the predecessor school boards. This was recorded as an adjustment to the opening board deficiency. During 1997/98 this receivable was reversed because it is not collectible.

	1998	1997
Opening Board deficiency	$(763,953)	$ (775,710)
Plus: Write-off of severance receivable		(225,181)
Less: Opening deficit recoverable	(238,755)	238,755
Less: Write-off of accounts payable relating to prior boards	25,213	
Write-off employee deductions payable relating to prior boards	28,815	
Adjust accounts payable relating to prior boards	5,121	
Less: Write-off of CECON holdback payable	10,224	
Plus: Receivable relating to prior boards	(37,360)	
Plus: Due to Trust Fund from Notre Dame Integrated School Board 1993/94	(13,070)	
	(983,765)	(762,136)
Net decrease in Board Equity (Page 3)	(9,088,193)	(1,817)
Board Deficiency, end of year	$(10,071,958)	$ (763,953)

Lewisporte/Gander School District
Current Revenues
Year Ended June 30

		Schedule 1 1998	Six Months Ended June 30 1997
Current Revenues			
31 010	Local Taxation		
011	School Taxes		
32 010	Provincial Government Grants		
011	Regular Operating Grants	$ 7,629,600	$ 4,446,212
012	Special Grants (Details on bottom of Schedule 1)	598,910	70,664
013	Payroll Tax	667,745	356,388
	Salaries and Benefits		
017	Directors and Assistant Directors	454,216	253,805
021	Regular Teachers	36,481,372	19,565,184
021	Student Assistants	479,797	
022	Substitute Teachers	1,191,480	716,555
030	Pupil Transportation		
031	Board Owned	3,278,659	1,974,587
032	Contracted	76,148	42,226
033	Handicapped	88,830	52,361
034	Other - Employee benefits		
		50,946,757	27,477,982
33 010	Donations		
012	Cash Receipts		
013	Non Cash Receipts		
014	Restricted Use	425	
34 010	Ancillary Services		
011	Revenue from Rental of Residences		
015	Interest on Schools	750	
021	Revenues from Rental of Schools and Facilities (Net)		3,181
022	Internally Generated Funds - Snow Clearing	31,700	29,825
031	Cafeterias		
032	Other		
		32,450	33,006

Lewisporte/Gander School District

Schedule1 (cont'd)

Current Revenues

Year Ended June 30

		1998	Six Months Ended June 30 1997
35 010	Miscellaneous		
011	Interest on Investments	51,152	18,388
012	Bus Charters		
	Regular	103,761	60,461
	Lunch Hour Runs	88,317	44,194
021	Recoveries of Expenditures	14,195	
022	MUN Grant		
	Internship program	13,879	4,800
	STEMNET	12,000	
031	Revenues from Other School Boards		
051	Insurance Proceeds		
061	Bilingual Education Revenue		
071	Operating Revenues from Native Peoples Grant		
081	Miscellaneous Federal Grant	459,219	331,297
091	Textbooks	74,427	4,293
092	Sundry	16,861	5,073
		833,811	468,506
36 011	Transfer from Capital		
Total Current Revenues		$ 51,813,443	$ 27,979,494

Special Grants

	1998	1997
French Monitor	$ 14,854	$ 18,878
Core French	2,533	3,582
French - Immersion	9,227	8,165
French Teacher Aide	6,000	
French Teacher Training	16,895	
Teacher relocation	13,268	
Textbook replacement savings	15,902	
Reimbursement for distance education	21,818	12,702
School Board Elections	40,759	
HRD grant - Math Days		3,070
Educational Leadership	354	
Technology Integration	8,342	400
Computer Equipment Grant	229,700	8,000
District 6 initial grant		15,867
Tutor Training	3,000	
Pay Equity/Reclassification	117,534	
Air Quality Testing	62,770	
HRD - Technology Integration	25,000	
- High Achievers	5,018	
- Technical Support	5,936	
	$ 598,910	$ 70,664

Lewisporte/Gander School District
Administration Expenditures

Schedule 2

Year Ended June 30

		1998	Six Months Ended June 30 1997
51 011	Salaries and Benefits - Director and Assistant Directors	$ 471,438	$ 269,416
012	Salaries and Benefits - Board Office Personnel	513,393	296,446
013	Office Supplies	24,418	14,433
014	Replacement Furniture and Equipment	1,867	1,134
015	Postage	15,922	11,137
016	Telephone	54,845	44,352
017	Office Equipment Rentals and Repairs	28,866	16,613
018	Bank Charges	45	191
019	Electricity	7,886	5,581
021	Fuel		8,750
022	Insurance	2,209	2,209
023	Repairs and Maintenance (Office Building)	1,737	6,138
024	Travel	40,510	21,185
025	Board Meeting Expenses	38,071	28,713
026	Election Expenses	26,220	
027	Professional Fees	28,963	18,314
028	Advertising	27,004	7,818
029	Membership Dues	42,785	19,251
031	Municipal Service Fees	35	364
032	Rental of Office Space	82,150	20,537
033	Relocation Expenses		
034	Miscellaneous	7,231	8,679
035	Payroll Tax	9,005	4,973
Total Administration Expenditures		$ 1,424,600	$ 806,234

Lewisporte/Gander School District

Instruction Expenditures

Year Ended June 30

Schedule 3

		1998	Six Months Ended June 30 1997
52 010	Instructional Salaries (Gross)		
011	Teachers' Salaries - Regular	$ 31,985,878	$ 17,024,725
012	- Substitute	1,098,299	716,555
013	- Board Paid	7,132	16,551
013	- Student Assistance	451,045	
014	Augmentation		
015	Employee Benefits	4,495,494	2,540,459
016	School Secretaries - Salaries and Benefits	675,008	369,784
017	Payroll Tax	679,924	363,334
018	Other – French Monitor	14,855	
		39,407,635	21,031,408
52 040	Instructional Materials		
041	General Supplies	242,782	57,141
042	Library Resource Materials	100,059	47,875
043	Teaching Aids	440,239	151,809
044	Textbooks	85,727	1,349
		868,807	258,174
52 060	Instructional Furniture and Equipment		
061	Replacement	164,718	836
062	Rentals and Repairs	114,223	50,079
		278,941	50,915
52 080	Instructional Staff Travel		
081	Program Co-ordinators	56,040	40,584
082	Teachers' Travel	44,300	5,699
083	Inservice and Conferences	65,057	19,732
		165,397	66,015
52 090	Other Instructional Costs		
091	Postage and Stationary		
092	Miscellaneous	747,225	439,668
		2,060,370	814,772
Total Instruction Expenditures		$ 41,468,005	$ 21,846,180

Lewisporte/Gander School District

Schedule 4

Operations and Maintenance Expenditures - Schools

Year Ended June 30

		1998	Six Months Ended June 30 1997
53 011	Salaries and Benefits - Janitorial	$ 1,452,350	$ 855,622
012	Salaries and Benefits - Maintenance	720,065	327,618
013	Payroll Tax	37,002	17,947
014	Electricity	1,373,930	874,959
015	Fuel	169,424	143,882
016	Municipal Service Fees	61,468	58,063
017	Telephone	204,991	103,187
018	Vehicle Operating and Travel	51,907	22,639
019	Janitorial Supplies	132,662	8,326
021	Janitorial Equipment	6,196	4,353
022	Repairs and Maintenance - Building	426,575	109,142
023	- Equipment	11,339	12,924
024	Contracted Services - Janitorial	9,300	7,060
025	Snow Clearing	104,469	98,166
026	Rentals		
027	Other	37,008	4,349
Total Operations and Maintenance Expenditures		$ 4,798,686	$ 2,648,237

Lewisporte/Gander School District
Pupil Transportation Expenditures

Year Ended June 30

Schedule 5

		1998	Six Months Ended June 30 1997
54 010	Operation and Maintenance of Board Owned Fleet		
011	Salaries and Benefits - Administration	$ 183,514	$ 83,793
012	Salaries and Benefits - Drivers and Mechanics	2,333,102	1,581,373
013	Payroll Tax	43,811	26,738
014	Debt Repayment - Interest		36,971
015	- Principal		93,951
016	Bank Charges		
017	Gas and Oil	331,968	219,863
018	Licenses	68,482	977
019	Insurance	52,292	
021	Repairs and Maintenance - Fleet	318,001	131,427
022	- Building	2,326	1,421
023	Tires and Tubes	52,961	6,835
024	Heat and Light	22,152	14,622
025	Municipal Services		
026	Snow Clearing	4,435	4,738
027	Office Supplies	10,478	2,852
028	Rent		
029	Travel	12,324	6,330
031	Professional Fees	4,079	4,286
032	Miscellaneous	9,382	596
033	Telephone	10,260	4,222
034	Vehicle Leases		
		3,459,567	2,220,995
54 040	Contracted Services		
041	Regular Transportation	$ 80,948	$ 46,380
042	Handicapped	84,239	49,001
043	Busing - Other		
		165,187	95,381
Total Pupil Transportation Expenditures		$3,624,754	$2,316,376

Lewisporte/Gander School District
Ancillary Services and Miscellaneous Expenses
Year Ended June 30

Ancillary Services

Schedule 6

		1998	Six Months Ended June 30 1997
55	Ancillary Services		
011	Operations of Teachers' Residence	$	$
013	Janitorial		
031	Cafeterias		
032	Other		
		$	$

Miscellaneous Expenses

Schedule 7

The Board has incurred the following miscellaneous expenses:

		1998	Six Months Ended June 30 1997
57 001	Miscellaneous	$ 14,769	$ 102

Lewisporte/Gander School District
Details of Property and Equipment

Schedule 8

June 30, 1998

		Balance June 30, 1997	Additions	Disposals	Balance June 30, 1998
Land and Sites					
12 210	Land and Sites				
211	Land and Sites	$ 399,650	$ 23,514		$ 423,164
12 212	Land improvements	399,650	23,514		423,164
12 220	Buildings				
221	Schools	64,353,056	1,186,977		65,540,033
222	Administration	302,323	6,036	(73,690)	234,669
223	Residential				
224	Recreation				
225	Other				
		64,655,379	1,193,013	(73,690)	65,774,702
12 300	Furniture & Equipment				
231	Schools	6,783,265	330,440		7,113,705
232	Administration	363,530	44,769		408,299
233	Residential				
234	Recreation				
235	Other				
		7,146,795	375,209		7,522,004
12 240	Vehicles				
241	Service Vehicles	225,085			225,085
12 250	Pupil Transportation				
251	Land	32,811			32,811
252	Building	534,481			534,481
253	Vehicles - Buses	7,710,488	153,701		7,864,189
254	- Service	36,334			36,334
255	Equipment	63,188			63,188
256	Other				
		8,377,302	153,701		8,531,003
12 260	Miscellaneous Capital Assets				
261	Other	648			648
Total Property & Equipment		$ 80,804,859	$1,745,437	$ (73,690)	$ 82,476,606

Land, buildings and equipment have been recorded in the accounts at estimated values at January 1, 1997. Additions since that date have been recorded at cost. Lands and sites on which some of the buildings are erected are vested in the former school boards or denominational education councils or churches. All real and personal property used for the purpose of education by Lewisporte/Gander School District #6 will be subject to the terms and conditions contained in Section 95 of the 1996 Schools Act.

As of the date of the Auditors' Report the values of all of the school buildings and equipment used by the Lewisporte/Gander School District #6 have not been obtained from the Department of Education or the former school boards.

Lewisporte/Gander School District
Details of Long Term Debt

Schedule 9

June 30	1998	1997
Bank loans, mortgage and debentures, approved by the Board and the Government of Newfoundland and Labrador		
22 210 Loans Other Than Pupil Transportation		
Ref. #		
211 Bank Loans		
4.125% Repayable $16,462 annually, maturing 1999	$ 16,462	$ 32,925
Prime-5/8% Repayable $5,277 monthly, maturing 2001	190,000	
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
Total 211	206,462	32,925
212 Mortgages		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
Total 212		
213 Debentures		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
Total 213		
214 Other	328,768	328,768
Sub-total	535,230	361,693
215 Less: Current Maturities	(79,795)	(15,415)
Total Loans Other Than Pupil Transportation	455,435	346,278

Lewisporte/Gander School District

Schedule 9 (cont'd)

Details of Long Term Debt

June 30	1998	1997
22 220 Loans - Pupil Transportation		
Ref. #		
221 Vehicle Bank Loans		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____	______	______
Total 221	______	______
222 Land, Building and Equipment Bank Loans		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____		
__ Repayable $ ______ monthly, maturing ____	______	______
Total 222	______	______
Sub-total	______	______
223 Less: Current Maturities	______	______
Total Loans - Pupil Transportation	______	______
Total Long Term Debt	$ 455,435	$ 346,278

Lewisporte/Gander School District

Schedule 9A

Summary of Long Term Debt

June 30,1998

Description	Ref. #	Rate	Balance Beginning of Year	Loans Obtained During Year	Principal Repayment for Year	Balance End of Year
A) School Construction		4.125%	$ 328,768			**$ 328,768**
		Prime – 5/8%		$ 190,000		**190,000**
B) Equipment		Prime	32,925		$ 16,463	**16,462**
C) Service Vehicles						
D) Other						
E) Pupil Transportation						
Total Loans			$ 361,693	$ 190,000	$ 16,463	**$ 535,230**

Lewisporte/Gander School District

Schedule 9B

Schedule of Current Maturities

June 30,1998

Description	1998	1999	2000	2001	2002
A) School Construction	$ 63,333	$ 63,333	$ 63,334		
B) Equipment	16,462				
C) Service Vehicles					
D) Other					
E) Pupil Transportation					
Total	$ 79,795	$ 63,333	$ 63,334		

Lewisporte/Gander School District
Schedule of Interest Expenses
Year Ended June 30

	Schedule 9C 1998	Six Months Ended June 30 1997
Description		
012 Capital		
School Construction	$ 16,090	$ 9,089
Equipment		
Service Vehicles		
Other	1,646	541
Pupil transportation		15,907
Total Capital	17,736	25,537
013 Current - Operating Loans		3,425
- Supplier Interest Charges		
Total Current		3,425
Total Interest Expense	$ 17,736	$ 28,962

Lewisporte/Gander School District
Supplementary Information

June 30		1998	1997
1.	**Cash**		
	Current		
11 110	Cash on Hand and in Bank		
111	Cash on Hand	$ 460	$ 478
112	Bank - Current	333,890	972,884
113	- Savings		76,814
114	- Teachers' Payroll	(511)	(14,200)
115	- Non Teachers' Payroll		
116	- Coupon (debenture)		
117	- Other-Trust Fund	1,700	1,700
	Capital		
11 210	Cash on Hand and in Bank		
211	Cash on Hand		
212	Bank - Current		
213	- Savings		
214	- Other		
Total Cash on Hand and in Bank		$ 335,539	$ 1,037,676
2.	**Short Term Investments**		
	Current		
11 121	Term Deposits		
122	Canada Savings Bonds		
123	Other		
	Capital		
11 221	Term Deposits		
222	Canada Savings Bonds		
223	Other		
Total Short Term Investments		$	$

Lewisporte/Gander School District
Supplementary Information

June 30

		1998	1997
3.	**Prepaid Expenses**		
	Current		
11 141	Insurance		
142	Municipal Service Fees		
143	Supplies	$ 11,042	$ 14,087
144	Other - WCB	90,768	66,091
	Capital		
11 241	Other	1,189	33,969
		$ 102,999	$ 114,147

LIVESTOCK OWNERS COMPENSATION BOARD

LIVESTOCK OWNERS COMPENSATION FUND

FINANCIAL STATEMENTS

31 MARCH 1998

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Board of Directors of the
Livestock Owners Compensation Board
St. John's, Newfoundland

I have audited the balance sheet of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund as at 31 March 1998 and the statement of revenue, expenditure and deficit for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund as at 31 March 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
5 June 1998

LIVESTOCK OWNERS COMPENSATION BOARD

LIVESTOCK OWNERS COMPENSATION FUND

BALANCE SHEET

31 MARCH 1998

	1998	1997
ASSETS		
Current		
Cash	$ 17,501	$17,089
Accounts receivable	1,514	1,500
	$ 19,015	$18,589
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 1,529	$ 1,500
Deferred revenue	190	114
	1,719	1,614
Equity		
Contributions - Province of Newfoundland	78,895	78,895
Deficit	(61,599)	(61,920)
	17,296	16,975
	$ 19,015	$18,589

See accompanying notes

Signed on behalf of the Board: **Chairperson** **Member**

LIVESTOCK OWNERS COMPENSATION BOARD

LIVESTOCK OWNERS COMPENSATION FUND

STATEMENT OF REVENUE, EXPENDITURE AND DEFICIT

FOR THE YEAR ENDED 31 MARCH 1998

	1998	1997
REVENUE		
Province of Newfoundland		
Payments on behalf of the Board for administration (Note 2)	$ 1,600	$ 1,600
Premiums from livestock owners	2,381	3,469
Interest	537	624
	4,518	5,693
EXPENDITURE		
Indemnity claims	2,579	2,309
Bank service charges	18	24
Professional services (Note 2)	1,600	1,600
	4,197	3,933
Excess of revenue over expenditure	321	1,760
Deficit, beginning of year	(61,920)	(63,680)
Deficit, end of year	$(61,599)	$(61,920)

See accompanying notes

LIVESTOCK OWNERS COMPENSATION BOARD

LIVESTOCK OWNERS COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

Authority

The Livestock Owners Compensation Board (the Board) operates under the authority of the Livestock Insurance Act. The purpose of the Board is to operate the Livestock Owners Compensation Fund to provide insurance to Newfoundland farmers to restrict the amount of livestock loss. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Livestock Owners Compensation Fund.

1. Basis of accounting

The financial statements have been prepared by the Board in accordance with generally accepted accounting principles.

2. Administrative expenses

The Board is administered by employees of the Department of Forest Resources and Agrifoods. The Province, represented by the Department, is responsible for the costs of administration of the Board. These costs, which are paid directly by the Province on behalf of the Board, are not reflected in these financial statements, except for expenses relative to professional services.

3. Economic dependence

As a result of the Board's reliance on Provincial funding to meet the administrative costs, the Board's ability to continue viable operations is dependent upon continued funding from the Province.

4. Financial instruments

The Board's financial instruments recognized in the balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities, the carrying values of which approximate fair value due to the short-term maturity associated with these instruments.

5. Income taxes

The Board is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

LIVESTOCK OWNERS COMPENSATION BOARD

LIVESTOCK OWNERS COMPENSATION FUND

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Board of Directors of the
Livestock Owners Compensation Board
St. John's, Newfoundland

I have audited the balance sheet of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund as at 31 March 1999 and the statement of revenue, expenditure and deficit for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Livestock Owners Compensation Board, Livestock Owners Compensation Fund as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
15 June 1999

LIVESTOCK OWNERS COMPENSATION BOARD

LIVESTOCK OWNERS COMPENSATION FUND

BALANCE SHEET

31 MARCH 1999

	1999	1998
ASSETS		
Current		
Cash	$18,111	$ 17,501
Accounts receivable	1,029	1,514
	$19,140	$ 19,015
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 1,135	$ 1,529
Deferred revenue	-	190
	1,135	1,719
Equity		
Contributions - Province of Newfoundland	78,895	78,895
Deficit	(60,890)	(61,599)
	18,005	17,296
	$19,140	$ 19,015

See accompanying notes

Signed on behalf of the Board: Chairperson Member

LIVESTOCK OWNERS COMPENSATION BOARD

LIVESTOCK OWNERS COMPENSATION FUND

STATEMENT OF REVENUE, EXPENDITURE AND DEFICIT

FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
REVENUE		
Province of Newfoundland		
Payments on behalf of the Board for administration (Note 2)	$ 991	$ 1,600
Premiums from livestock owners	2,669	2,381
Interest	872	537
	4,532	4,518
EXPENDITURE		
Indemnity claims	2,831	2,579
Bank service charges	1	18
Professional services (Note 2)	991	1,600
	3,823	4,197
Excess of revenue over expenditure	709	321
Deficit, beginning of year	(61,599)	(61,920)
Deficit, end of year	$(60,890)	$(61,599)

See accompanying notes

LIVESTOCK OWNERS COMPENSATION BOARD

LIVESTOCK OWNERS COMPENSATION FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

The Livestock Owners Compensation Board (the Board) operates under the authority of the Livestock Insurance Act. The purpose of the Board is to operate the Livestock Owners Compensation Fund to provide insurance to Newfoundland farmers to restrict the amount of livestock loss. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Livestock Owners Compensation Fund.

1. Basis of accounting

The financial statements have been prepared by the Board in accordance with generally accepted accounting principles.

2. Administrative expenses

The Board is administered by employees of the Department of Forest Resources and Agrifoods. The Province, represented by the Department, is responsible for the costs of administration of the Board. These costs, which are paid directly by the Province on behalf of the Board, are not reflected in these financial statements, except for expenses relative to professional services.

3. Economic dependence

As a result of the Board's reliance on Provincial funding to meet the administrative costs, the Board's ability to continue viable operations is dependent upon continued funding from the Province.

4. Financial instruments

The Board's financial instruments recognized in the balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities, the carrying values of which approximate fair value due to the short-term maturity associated with these instruments.

5. Income taxes

The Board is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

Province of Newfoundland

Public Accounts

Volume IV (M - Z)

Accounts of Crown Corporations Boards and Authorities

For The Year Ended
31 March 1999

PRINTED UNDER AUTHORITY OF THE HOUSE OF ASSEMBLY

St. John's, Newfoundland

GOVERNMENT OF
NEWFOUNDLAND AND LABRADOR

Department of Finance
Office of the Minister

November, 1999

The Honourable A.M. House, C.M., M.D., FRCPC
Lieutenant-Governor of Newfoundland and Labrador

Sir,

I have the honour to present the Accounts of Crown Corporations, Boards and Authorities for the financial year ended 31 March 1999.

Respectfully submitted,
Your Honour's obedient servant,

PAUL DICKS, Q.C.
Minister of Finance

INTRODUCTION

The financial statements of the various Crown Corporations, Boards and Authorities of the Province of Newfoundland as itemized in the Table of Contents are reproductions of the original financial statements issued.

The Public Accounts, Volume I, provides the audited consolidated summary financial statements. The audited financial statements of the Consolidated Revenue Fund are presented in the Public Accounts, Volume II. The Public Accounts, Volume III provides supplementary statements and schedules of the Consolidated Revenue Fund for information purposes.

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	1999	895

The financial statements of the following agencies were not received in time for inclusion in this volume:

NAME	YEAR
Burin Peninsula School Board	1998
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Central West Health Corporation	1998
College of the North Atlantic	1999
Enterprise Network Inc.	1999
Enterprise Newfoundland and Labrador Corporation	1999
Farm Development Loan Board	1999
Fisheries Loan Board of Newfoundland	1999
Health and Community Services-St. John's Region	1998
Newfoundland Cancer Treatment and Research Foundation	1998
Newfoundland Farm Products Corporation	1998
Newfoundland Government Fund	1998 1999
Newfoundland and Labrador Education Investment Corporation	1999
Newfoundland Industrial Development Corporation	1999
Newfoundland Legal Aid Commission	1999
Office of the High Sheriff of Newfoundland	1999
Provincial Genetics Program	1998 1999
Provincial Perinatal Program	1998 1999
Public Health Laboratory	1998 1999
St. John's Nursing Home Board	1999
Workplace Health, Safety and Compensation Commission	1998

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

FINANCIAL STATEMENTS

30 APRIL 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Board of Directors of Marble Mountain
Development Corporation

I have audited the balance sheet of Marble Mountain Development Corporation as at 30 April 1999 and the statements of revenue, expenditure and surplus and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 30 April 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
15 July 1999

STATEMENT 1

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

BALANCE SHEET

30 APRIL 1999

	1999	1998
ASSETS		
Current		
Cash	$ -	$ 88,472
Restricted cash (Note 2)	478,385	61,086
Accounts receivable (Note 3)	316,098	87,239
	794,483	236,797
Capital assets (Note 4)	32,222,622	28,836,554
	$33,017,105	$29,073,351
LIABILITIES AND EQUITY		
Current		
Bank indebtedness	$ 14,339	$ -
Accounts payable and accrued liabilities (Note 5)	444,531	209,327
Deferred government assistance and other contributions (Note 6)	376,844	16,726
Obligation under capital lease (Note 9)	5,633	4,866
	841,347	230,919
Obligation under capital lease (Note 9)	4,370	10,004
Long-term debt (Note 10)	2,796,410	-
	3,642,127	240,923
Government assistance and other contributions (Notes 7 and 8)	28,861,824	28,313,047
Equity		
Capital stock (Note 11) Authorized and issued 500 common shares	-	-
Operating surplus	513,154	519,381
	513,154	519,381
	$33,017,105	$29,073,351

Contingent liabilities (Note 14)

See accompanying notes

Signed on behalf of the Board: ______________________ **Chairperson** ______________________ **Director**

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

FOR THE YEAR ENDED 30 APRIL 1999

	1999	1998
REVENUE		
Operating grant (Note 8(a))	$ 42,000	$ 71,570
Interest income	12,290	4,751
Gain on disposal of assets	2,146	37,200
Other	1,397	32,240
	57,833	145,761
EXPENDITURE		
Administrative salaries	23,458	17,575
Advertising	1,196	-
Bad debts	691	1,098
Claims	12,002	11,270
Committee meetings	1,032	463
Directors' fees	7,871	6,495
Insurance	2,506	2,122
Interest expense	1,848	756
Miscellaneous	1,842	(345)
Office supplies	85	82
Professional fees	3,441	2,345
Telephone	1,320	474
Travel	140	747
Villa expenses	12,478	-
	69,910	43,082
Excess of revenue over expenditure (expenditure over revenue) before extraordinary items	(12,077)	102,679
Extraordinary items (Note 13)		
Recoverable items from claim	150,361	-
Cable damage from excavation	(144,511)	-
Excess of revenue over expenditure (expenditure over revenue)	(6,227)	102,679
Surplus, beginning of year	519,381	416,702
Surplus, end of year	$513,154	$519,381

See accompanying notes

STATEMENT 3

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 30 APRIL 1999

	1999	1998
Cash provided by (used in):		
Operating activities		
Excess revenue over expenditure (expenditure over revenue)	$ (6,227)	$102,679
Add (deduct) non-cash items		
Gain on disposal of assets	(2,146)	(37,200)
	(8,373)	65,479
Change in non-cash operating working capital	366,463	(157,600)
	358,090	(92,121)
Financing activities		
Province of Newfoundland		
Department of Municipal and Provincial Affairs grant	247,785	251,375
Department of Industry, Trade and Technology grant	-	42,402
Atlantic Canada Opportunities Agency grant	245,602	182,564
1999 Canada Winter Games Host Society grant	55,390	27,875
Acquisition of capital lease	-	16,205
Repayment of capital lease obligation	(4,867)	(1,335)
Increase in long-term debt	2,796,410	-
	3,340,320	519,086
Investing activities		
Additions to capital assets	(3,386,068)	(568,671)
Decrease (increase) in restricted cash	(417,299)	188,246
Proceeds on disposal of assets	2,146	37,200
	(3,801,221)	(343,225)
Increase (decrease) in cash	(102,811)	83,740
Cash, beginning of year	88,472	4,732
Cash (bank overdraft), end of year	$ (14,339)	$ 88,472

See accompanying notes

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

30 APRIL 1999

Authority

The Corporation is a "Non-Profit Development Corporation" incorporated under the laws of Newfoundland by the Province of Newfoundland. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. The Province holds 100% of the issued common shares.

The principal activity of the Corporation is managing and controlling the development of the Marble Mountain Development area. On 17 May 1993, the Corporation was given responsibility for the operation of the Marble Mountain Resort area. On 17 September 1996, the day to day operations of the Marble Mountain facilities were transferred to the Marble Mountain Management Corporation (MMMC). The Corporation will continue to own its assets; however, the assets will be used by MMMC. As a result, all revenues earned from the use of the Marble Mountain facilities and all expenditures incurred in the operation of the facilities will be recorded in the financial statements of MMMC (Note 17).

1. Significant accounting policies

These financial statements have been prepared by the Corporation in accordance with generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Capital assets

Capital assets purchased by the Corporation are stated at cost. Donated assets are recorded at their estimated fair market value. Amortization of capital assets is not recorded in the financial statements. Capital assets retired from service are charged against operations in the year of retirement.

(b) Government assistance and other contributions

Government grants and other contributions related to the acquisition of capital assets are recorded as deferred credits. The deferred credits related to the acquisition of capital assets have not been amortized. Government assistance and other contributions related to capital assets retired from use are credited to operations in the year the capital assets are retired.

2. Restricted cash

Restricted cash is funding received by the Corporation applicable to the acquisition of capital assets. As at 30 April 1999, the Corporation has segregated cash in the amount of $478,385 (1998 - $61,086).

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

30 APRIL 1999

3. Accounts receivable

	1999	1998
Trade	$ 2,030	$ 17,051
Province of Newfoundland		
Department of Municipal and Provincial Affairs	-	69,219
Harmonized Sales Tax receivable	163,707	969
Other (Note 13)	150,361	-
	$ 316,098	$ 87,239

4. Capital assets

	1999	1998
Water supply system	$ 1,605,467	$ 1,432,814
Buildings		
Maintenance building	407,972	407,972
Day lodge	6,723,529	6,644,095
Buildings, other	115,038	53,588
Condominium	2,831,404	11,751
	10,077,943	7,117,406
Equipment		
Snowmaking	4,095,395	4,095,395
Chairlifts	2,318,412	2,318,412
Snowgroomers	850,249	850,249
T-bars/platter lift	120,824	120,824
Ski rental/tube rental	202,933	202,933
Racing	64,127	64,127
Detachable Quad	2,302,738	2,302,738
	9,954,678	9,954,678
Other		
Heritage tree	75,133	-
Motor vehicles	51,993	51,993
Slopes, roads and parking lots	7,915,462	7,793,398
Furniture and equipment	655,385	599,704
Land assembly	1,870,356	1,870,356
Equipment under capital lease	16,205	16,205
	10,584,534	10,331,656
	$32,222,622	$28,836,554

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

30 APRIL 1999

5. Accounts payable and accrued liabilities

	1999	1998
Trade	$ 13,657	$ 7,250
Payroll payable	4,830	6,654
Construction and equipment costs	426,171	141,196
Marble Mountain Management Corporation (Note 15)	(127)	54,227
	$444,531	$209,327

6. Deferred government assistance and other contributions

	1999	1998
Province of Newfoundland		
Department of Municipal and Provincial Affairs	$ 50,273	$ -
Atlantic Canada Opportunities Agency	323,892	-
1999 Canada Winter Games Host Society	2,679	16,726
	$376,844	$ 16,726

Deferred government assistance and other contributions is funding received by the Corporation applicable to the acquisition of capital assets for which the costs have yet to be incurred.

7. Government assistance and other contributions

The Corporation has recorded government grants and other contributions related to the acquisition of capital assets as deferred credits.

7. Government assistance and other contributions (Cont.)

	1999	1998
Tourism Development Subsidiary Agreement	**$ 2,499,000**	$ 2,499,000
Province of Newfoundland		
Department of Municipal and Provincial Affairs	**499,160**	251,375
Department of Tourism and Culture	**13,671,934**	13,671,934
Department of Employment and Labour Relations	**21,200**	21,200
Department of Industry, Trade and Technology	**2,732,512**	2,732,512
Atlantic Canada Opportunities Agency	**7,976,841**	7,731,239
Government of Canada		
Department of Industry, Science and Technology	**1,727,000**	1,727,000
Department of Employment and Immigration	**5,000**	5,000
Natural Resources Canada/Mining Sector	**44,395**	44,395
Marble Mountain Ski Club	**2,099,114**	2,099,114
1999 Canada Winter Games Host Society	**83,265**	27,875
	31,359,421	30,810,644
Less amounts related to capital assets retired from service or sold	**(2,497,597)**	(2,497,597)
	$28,861,824	$28,313,047

8. Government assistance and other contributions - current funding

(a) Province of Newfoundland, operating grant

For the year ended 30 April 1999, an administration operating grant in the amount of $42,000 (1998 - $71,570) was approved and received.

(b) Province of Newfoundland, Department of Municipal and Provincial Affairs.

During the years ended 30 April 1998 and 30 April 1999, the Province of Newfoundland approved contributions of $279,000 and $185,000 respectively under the 1997/98 Canada/Newfoundland Infrastructure Program, to be used for water line improvements. $265,000 of this funding was provided to the Town of Steady Brook which would reimburse the Corporation for work completed. As at 30 April 1999, $464,000 was received, $424,026 was recorded as government assistance and other contributions (Note 7), $5,407 was recorded as deferred government assistance and other contributions (Note 6) and the remaining $34,567 relates to HST on funding of expenditures billed to the Town of Steady Brook.

8. Government assistance and other contributions - current funding (Cont.)

During the year ended 30 April 1999, the Province of Newfoundland approved contributions of $120,000 for the completion of the Canada Games Heritage Tree. As at 30 April 1999, $120,000 had been received, $75,134 was recorded as government assistance and other contributions (Note 7) and $44,866 was recorded as deferred government assistance and other contributions (Note 6).

(c) Atlantic Canada Opportunities Agency (ACOA)/1999 Canada Winter Games Host Society

During the year ended 30 April 1998, ACOA and the 1999 Canada Winter Games Host Society approved contributions of $272,221 and $90,740 respectively to be used in the construction of a freestyle ski slope and the purchase of equipment necessary to offer aerial and mogul skiing. As at 30 April 1999, $335,740 was received. Of this amount, $2,679 was recorded as deferred government assistance and other contributions (Note 6) and $333,061 was recorded as government assistance and other contributions (Note 7).

(d) Atlantic Canada Opportunities Agency (ACOA)

During the year ended 30 April 1999, ACOA approved contributions of $450,000 for lodge renovations required to enhance the television coverage of the 1999 Canada Winter Games. As at 30 April 1999, $403,326 was received, $79,434 was recorded as government assistance and other contributions (Note 7) and $323,892 was recorded as deferred government assistance and other contributions (Note 6).

The above contributions are subject to the terms and conditions as outlined in the applicable contribution agreements.

9. Obligation under capital lease

The following is a schedule of future minimum lease payments under capital leases expiring in the year 2001, together with the present balance of the obligation under the capital leases.

Year ending 30 April	1999	1998
1999	$ -	$ 6,714
2000	6,714	6,714
2001	4,624	4,624
	11,338	18,052
Less: Amount representing interest (14.8%)	(1,335)	(3,182)
	10,003	14,870
Less: Current portion	(5,633)	(4,866)
	$ 4,370	$10,004

10. Long-term debt

	1999	1998
Canadian Imperial Bank of Commerce		
Prime plus 1% demand instalment bridge loan to be repaid or refinanced by 31 May 1999. All interest to be capitalized up to refinancing.	$2,796,410	$ -

11. Capital stock

The Province of Newfoundland holds 100% of the issued common shares of the Corporation.

12. Income taxes

The Corporation is wholly owned by the Province of Newfoundland and as such is not subject to Federal or Provincial income taxes.

MARBLE MOUNTAIN DEVELOPMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

30 APRIL 1999

13. Extraordinary items

During the year ended 30 April 1999, property damage occurred when a sub-contractor damaged an underground cable when excavation was performed without prior Corporation approval. The Corporation subsequently incurred direct expenditures of $144,511, net of HST recoveries of $21,488, and administrative costs of approximately $5,850 to replace the cable. As at 30 April 1999, the Corporation reported an accounts receivable and revenue in the amount of $150,361 recoverable from the contractor and sub-contractor.

14. Contingent liabilities

As at 30 April 1999, a supplier had claimed that the Corporation owed it approximately $76,526 for services rendered. The Corporation's management feels that the claim is unfounded and the likelihood of any loss resulting therefrom is undeterminable. Therefore, the Corporation has not recorded in its accounts any provision for losses that may result from the claim.

As at 30 April 1999, one former employee had a claim for $55,000 against the Corporation as a result of layoff. The Corporation's management feels that most of this claim is unfounded.

15. Related party transactions

As at 30 April 1999, the Corporation was owed $127 from the Marble Mountain Management Corporation. This receivable relates to the balance outstanding as a result of payroll sharing, grant reallocations and the transfer of other assets throughout the year.

16. Financial instruments

The Corporation's financial instruments recognized in the balance sheet consist of cash, accounts receivable, accounts payable, accrued liabilities and long-term debt, the carrying values of which approximate fair value.

17. Subsequent events

Effective 1 April 1999, the Corporation and MMMC amalgamated into one Corporation, the Marble Mountain Development Corporation. MMMC ceased operations and the day-to-day operations of the Marble Mountain facility were transferred back to MMDC.

18. Comparative figures

Certain 1998 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1999.

19. Uncertainty due to Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the entity including those related to the efforts of suppliers or third parties, will be fully resolved.

MARBLE MOUNTAIN MANAGEMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

April 30, 1999

MARBLE MOUNTAIN MANAGEMENT CORPORATION

AUDITED FINANCIAL STATEMENTS

April 30, 1999

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RICHARD C. SQUIRE
Chartered Accountant
Chartered Business Valuator

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AUDITOR'S REPORT

To the Directors of
Marble Mountain Management Corporation

I have audited the balance sheet of Marble Mountain Management Corporation as at April 30, 1999 and the statements of income and surplus (deficit) and cash flow for the year then ended. These financial statements are the responsibility of the corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at April 30, 1999 and the results of its operations and cash flows for the year then ended in accordance with generally accepted accounting principles.

June 30, 1999

Richard Squire

MARBLE MOUNTAIN MANAGEMENT CORPORATION

BALANCE SHEET
As at April 30, 1999

	1999	1998
ASSETS	$	$
CURRENT ASSETS		
Cash	129,788	59,962
Accounts receivable (note 1)	78,091	108,437
Inventory	24,700	21,990
Prepaid expenses	54,031	64,000
	286,610	254,389
CAPITAL ASSETS (note 2)		
Uniforms and equipment	74,067	4,506
Accumulated amortization	20,006	-
	54,061	4,506
	342,221	258,895
LIABILITIES		
CURRENT LIABILITIES		
Accounts payable and accrued liabilities (note 3)	349,578	238,822
Deferred revenue (note 4)	175,817	19,429
	525,395	258,251
CAPITAL STOCK AND DEFICIT		
CAPITAL STOCK (note 5)		
Authorized and issued		
500 Common shares	1	1
SURPLUS (DEFICIT)	(184,725)	643
	(184,724)	644
	340,671	258,895

Subsequent event (note 10)

Approved by the Board:

________________ Director

________________ Director

MARBLE MOUNTAIN MANAGEMENT CORPORATION

STATEMENT OF INCOME AND SURPLUS (DEFICIT)
For the year ended April 30, 1999

	1999	1998
	$	$
REVENUE		
Income (loss) from operations		
Lift operations (Schedule I)	(216,304)	7,535
Rental and repair shop (Schedule II)	47,051	55,509
Cafeteria (Schedule III)	19,900	38,042
Bar (Schedule IV)	54,577	33,867
Ski school (Schedule V)	(10,456)	8,958
Marketing (note 6)	229,625	66,484
Interest income	3,850	3,399
Operating grant (note 6)	279,500	41,500
	407,743	255,294
EXPENSES		
Amortization	20,006	-
Insurance	62,029	59,380
Marketing program costs (note 7)	277,439	70,920
Administrative salaries	126,767	134,598
Management fees	59,961	56,704
Office supplies	13,221	9,818
Communications	12,140	8,014
Travel	8,429	7,987
Interest and bank charges	619	2,236
Professional fees	5,400	4,995
Committee meetings	-	190
Computer maintenance	1,407	960
Miscellaneous	2,887	1,062
Promotions	2,806	1,798
	593,111	358,662
LOSS	(185,368)	(103,368)
Surplus at beginning of year	643	104,011
SURPLUS (DEFICIT) AT END OF YEAR	(184,725)	643

MARBLE MOUNTAIN MANAGEMENT CORPORATION

STATEMENT OF CASH FLOW
For the year ended April 30, 1999

	1999	1998
	$	$
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	1,910,097	1,205,709
Cash paid to suppliers and employees	(1,773,941)	(1,284,724)
Interest paid	(619)	(2,236)
Interest received	3,850	3,399
	139,387	(77,852)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of capital assets	69,561	(4,506)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS (note)	69,826	(82,358)
Cash and cash equivalents at beginning of year	59,962	142,320
CASH AND CASH EQUIVALENTS AT END OF YEAR (note)	129,788	59,962

Note to the statement of cash flow

Cash and cash equivalents consist of cash on hand and balances with banks, and investments in money market instruments.

MARBLE MOUNTAIN MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS
For the year ended April 30, 1999

GENERAL

The Corporation was incorporated under the laws of the province of Newfoundland and Labrador and the Province of Newfoundland and Labrador owns 100% of the issued common shares.

The principal business activity of the Corporation is managing the operations of the area known as the Marble Mountain Development area.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Inventory

Inventory is recorded at the lower of cost and net realizable value.

Capital assets

Capital assets are stated at cost. Amortization is provided for on the straight-line basis using the following annual rates:

Uniforms and ski suits	33⅓% - 50%
Rental and demo equipment	20%
Other equipment	25%

Government assistance

Government grants related to operations are recorded as revenues in the period in which they are recognized.

1. ACCOUNTS RECEIVABLE

	1999	1998
	$	$
Trade	78,091	54,016
Marble Mountain Development Corporation, related to Marble Mountain Management Corporation, through common ownership and management.	127	54,421
	78,091	108,437

2. CAPITAL ASSETS

	1999			1998
	Cost	Accumulated amortization	Net	Net
	$	$	$	$
Uniforms and ski suits	29,207	10,996	18,211	-
Ski equipment - Demo	7,747	1,550	6,197	4,506
Ski equipment - Rental	36,363	7,273	29,090	-
Other equipment	750	187	563	-
	74,067	20,006	54,061	4,506

3. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

	1999	1998
	$	$
Trade	275,896	188,630
HST Payable	57,704	45,217
Health and Post Secondary Education Tax	936	1,058
Employee dedcutions	6,772	-
Other	8,143	3,917
Marble Mountain Development Corporation, related to Marble Mountain Management Corporation, through common ownership and management.	127	-
	349,578	238,822

4. DEFERRED REVENUE

Deferred revenue represents payments received by the Corporation related to contracts which are applicable to periods which extend beyond the current year.

5. CAPITAL STOCK

The Province of Newfoundland and Labrador holds 100% of the issued common shares of the Corporation.

6. GOVERNMENT ASSISTANCE

During the year the Province of Newfoundland and Labrador approved and paid an operating grant of $279,500 (1998 - $41,500) and marketing grants of $105,185.

7. MARKETING PROGRAM COSTS

	1999	1998
	$	$
Wages	23,473	-
Marketing fees	7,100	7,515
Ski shows/Familiarization tours	32,152	7,823
Administration	5,278	3,444
Advertising - television	48,732	-
- print	74,591	17,064
- radio	67,524	17,018
- internet	6,388	-
Special promotions	6,904	16,193
Communications	736	759
Sponsorships - marketing	-	1,104
Supplies	4,561	-
	277,439	70,920

8. COMPARATIVE FIGURES

Certain 1998 comparative figures have been reclassified to conform with the financial statement presentation adopted for 1999.

9. INCOME TAXES

The Corporation is wholly owned by the Province of Newfoundland and Labrador and as such is exempt from income taxes under Section 149 (1)(d) of the Income Tax Act, Canada.

10. SUBSEQUENT EVENT

Subsequent to April 30, 1999 the company became aware of a wrongful dismissal suite filed by two ex-employees. The amount of loss, if any, which may arise from these claims is not determinable and no provision for loss has been recorded in the corporation's accounts.

MARBLE MOUNTAIN MANAGEMENT CORPORATION

SCHEDULE I
STATEMENT OF INCOME - LIFT OPERATIONS
For the year ended April 30, 1999

	1999	1998
	$	$
REVENUE		
Lift tickets	245,332	297,156
Season passes	199,199	216,528
Rental - Retail shop	8,350	7,819
Children's centre	4,331	2,455
Other - Special Events	23,973	16,379
- Canada Games	42,002	-
- Condo rentals	40,860	-
	564,047	540,337
EXPENSES		
Snowmaking		
Wages	25,882	16,430
Electricity	105,688	78,110
Equipment maintenance	21,374	1,064
	152,944	95,604
Other		
Wages	238,706	197,398
Vehicle operating		
Repairs	44,276	15,455
Fuel	20,866	17,551
Lift repairs	59,901	22,514
Maintenance		
Slopes	14,669	2,812
Building	32,472	14,131
Heating and electricity	82,960	84,620
Snowclearing	10,567	9,460
Supplies	24,814	14,462
Municipal fees	15,000	15,000
Communications	3,248	13,558
Service charges	9,289	8,895
Special events	13,955	5,980
Ski patrol	3,298	2,467
Children's centre	7,171	6,074
Sundry	5,607	6,821
Condos - Operating costs	40,608	-
	780,351	532,802
INCOME (LOSS) FROM OPERATIONS	(216,304)	7,535

MARBLE MOUNTAIN MANAGEMENT CORPORATION

SCHEDULE II
STATEMENT OF INCOME - RENTAL AND REPAIR SHOP
For the year ended April 30, 1999

	1999	1998
	$	$
REVENUE	91,961	104,695
EXPENSES		
Wages	40,562	46,742
Supplies	3,435	1,817
Equipment rental	301	-
Sundry	-	106
Communications	612	521
	44,910	49,186
INCOME FROM OPERATIONS	47,051	55,509

MARBLE MOUNTAIN MANAGEMENT CORPORATION

SCHEDULE III
STATEMENT OF INCOME - CAFETERIA
For the year ended April 30, 1999

	1999	1998
	$	$
SALES	299,447	212,364
COST OF SALES	161,022	105,611
GROSS PROFIT	138,425	106,753
EXPENSES		
Wages	96,595	52,356
Supplies	12,244	5,611
Cash register lease	-	1,095
Sundry	1,786	1,453
Telephone	429	1,042
Maintenance	925	1,408
Advertising	242	-
Employee meals	-	2,640
Special events	6,304	2,700
Professional fees	-	406
	118,525	68,711
INCOME FROM OPERATIONS	19,900	38,042

MARBLE MOUNTAIN MANAGEMENT CORPORATION

SCHEDULE IV
STATEMENT OF INCOME - BAR
For the year ended April 30, 1999

	1999	1998
	$	$
SALES	216,537	155,380
COST OF SALES	90,215	70,203
GROSS PROFIT	126,322	85,177
EXPENSES		
Wages	42,378	31,490
Maintenance	821	-
Supplies	482	930
Cash register lease	-	2,195
Sundry	842	1,954
Entertainment	24,458	10,600
Telephone	873	1,171
Promotions	1,891	-
Special events	-	2,970
	71,745	51,310
INCOME FROM OPERATIONS	54,577	33,867

MARBLE MOUNTAIN MANAGEMENT CORPORATION

SCHEDULE V
STATEMENT OF INCOME - SKI SCHOOL
For the year ended April 30, 1999

	1999	1998
	$	$
REVENUE	42,246	62,937
EXPENSES		
Wages	41,346	47,318
Supplies	780	92
Training	3,105	1,102
Communications	640	996
Repairs and maintenance	-	50
Masters program	-	683
Ladies program	2,535	1,422
Advertising	1,326	-
Miscellaneous	1,103	162
Krunchers Club	1,867	2,154
	52,702	53,979
INCOME (LOSS) FROM OPERATIONS	(10,456)	8,958

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Multi-Materials Stewardship Board Financial Statements

March 31, 1999

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Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Auditors' Report

To the Board of Multi-Materials Stewardship Board

We have audited the balance sheet of the Multi-Materials Stewardship Board as at March 31, 1999, and the statements of operations, changes in net assets and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at March 31, 1999, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

St. John's, Newfoundland
May 6, 1999

Grant Thornton
Chartered Accountants

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187 Kenmount Road
P. O. Box 8037
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Multi-Materials Stewardship Board
Statement of Operations

Year Ended March 31	1999	1998
Income		
Newfoundland Beverage Recovery Inc.		
Allocation from appropriated surplus	$ 325,000	$ 300,000
Contribution to marketing and communications	217,000	-
Interest and sundry	11,415	325
	553,415	300,325
Expenses		
Consulting fees	-	43,828
Depreciation	5,937	2,365
Directors' remuneration	11,494	12,143
Dues, licences and education	2,700	1,981
Equipment rental	3,614	1,957
Insurance	1,642	250
Interest and bank charges	187	166
Marketing and communications	243,805	53,946
Meetings and entertainment	4,405	2,393
Miscellaneous	1,236	595
Professional fees	8,748	14,220
Rent	32,640	8,000
Repairs and maintenance	-	493
Stationery and office supplies	6,615	8,799
Telecommunications	8,346	6,004
Travel	19,295	35,884
Vehicle operating	5,865	-
Wages and benefits	157,136	90,272
	513,665	283,296
Excess of revenue over expenses	$ 39,750	$ 17,029

See accompanying notes to the financial statements.

Multi-Materials Stewardship Board
Statement of Changes in Net Assets

Year Ended March 31

			1999	1998
	Invested in Capital Assets	Unrestricted	Total	Total
Balance, beginning of year	$ 16,377	$ 652	$ 17,029	
Excess (deficiency) of revenue over expenses	(5,937)	45,687	39,750	$ 17,029
Investment in capital assets	21,103	(21,103)	-	-
Balance, end of year	$ 31,543	$ 25,236	$ 56,779	$ 17,029

See accompanying notes to the financial statements.

Multi-Materials Stewardship Board
Balance Sheet

March 31	1999	1998
Assets		
Current		
Cash and term deposits	$ 36,243	$ 77,703
Accounts receivable	7,346	-
Prepaid expenses	23,787	1,961
	67,376	79,664
Furniture and equipment (Note 3)	31,543	16,377
	$ 98,919	$ 96,041
Liabilities		
Current		
Payables and accruals (Note 4)	$ 42,140	$ 4,012
Deferred revenue	-	75,000
	42,140	79,012
Net Assets		
Net assets invested in capital assets	31,543	16,377
Unrestricted net assets	25,236	652
	56,779	17,029
	$ 98,919	$ 96,041

Commitments (Note 7)

Uncertainty (Note 8)

On behalf of the Board

Chairperson

Treasurer

See accompanying notes to the financial statements.

Multi-Materials Stewardship Board
Statement of Changes in Financial Position
Year Ended March 31

	1999	1998
Cash derived from (applied to)		
Operating		
Excess of revenue over expenses	$ 39,750	$ 17,029
Depreciation	5,937	2,365
	45,687	19,394
Change in non-cash operating working capital (Note 5)	(66,044)	77,051
	(20,357)	96,445
Investing		
Purchase of furniture and equipment	(21,103)	(18,742)
Net (decrease) increase in cash	(41,460)	77,703
Cash and term deposits		
Beginning of year	77,703	Nil
End of year	$ 36,243	$ 77,703

See accompanying notes to the financial statements.

Multi-Materials Stewardship Board
Notes to the Financial Statements
March 31, 1999

1. Nature of operations

The Multi-Materials Stewardship Board is a statutory corporation established pursuant to The Packaging Material Act. This Board has overall responsibility for the Beverage Container Recovery Program in the Province of Newfoundland and Labrador and is mandated to research other industry waste management programs.

The corporation is exempt from income taxes under Section 149(1)(d) of the Canadian Income Tax Act.

2. Summary of significant accounting policies .

Fund accounting

Fund accounting is generally accepted as the basis of accounting for public sector organizations. A summary of significant accounting policies relating to fund accounting is as follows:

i) contributions are recorded using the deferral method;
ii) capital additions financed from the unrestricted funds are included in the net assets invested in capital assets account; and
iii) depreciation of capital assets is included in the net assets invested in capital assets account.

Depreciation

Rates of depreciation applied on a declining balance basis to write-off the cost of furniture and equipment over their estimated lives are as follows:

Office furniture and equipment	20%
Computer equipment	30%

3. Furniture and equipment

			1999	1998
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Office furniture and equipment	$ 27,176	$ 3,898	$ 23,278	$ 8,030
Computer equipment	12,669	4,404	8,265	8,347
	$ 39,845	$ 8,302	$ 31,543	$ 16,377

4. Payables and accruals

	1999	1998
Rent	$ 29,340	
Other	12,800	$ 4,012
	$ 42,140	$ 4,012

5. Change in non-cash operating working capital

	1999	1998
Accounts receivable	$ (7,346)	
Prepaid expenses	(21,826)	$ (1,961)
Payables and accruals	38,128	4,012
Deferred revenue	(75,000)	75,000
	$ (66,044)	$ 77,051

6. Controlled not-for-profit organization

The Board has contracted the operation of the Beverage Container Deposit Refund System to an independent not-for-profit corporation, Newfoundland Beverage Recovery Inc., until January 15, 2002. The Board retains statutory responsibility for the operation of the Deposit Refund System in Newfoundland and Labrador and as such has a significant economic interest in the net assets of the system. The net assets of the Deposit Refund System will be reported as appropriated surplus in separate audited financial statements of Newfoundland Beverage Recovery Inc.

Newfoundland Beverage Recovery Inc. has not been consolidated in the Board's financial statements. Financial summaries of this unconsolidated corporation as at March 31, 1999 and 1998 and for the years then ended are as follows.

	1999	1998
Financial Position		
Total assets	$ 7,780,058	$ 4,380,687
Total liabilities	814,691	978,668
Total net assets	$ 6,965,367	$ 3,402,019
Results of Operations		
Total revenues	$11,772,407	$11,441,467
Total expenses	7,884,059	8,051,598
Net earnings	$ 3,888,348	$ 3,389,869
Cash flows		
Cash from operations	$ 3,941,535	$ 3,890,960
Cash used in investing activities	(55,594)	(83,800)
Payment to Multi-Materials Stewardship Board	(325,000)	(300,000)
Increase in cash	$ 3,560,941	$ 3,507,160

Municipal Assessment Agency Inc.

Financial Statements

March 31, 1999

AUDITORS' REPORT

To the Shareholder of
Municipal Assessment Agency Inc.

We have audited the balance sheet of **Municipal Assessment Agency Inc.** as at March 31, 1999 and the statements of revenues and expenses and surplus and cash flows for the year then ended. These financial statements are the responsibility of the corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the corporation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Ernst & Young LLP

Chartered Accountants

St. John's, Newfoundland,
May 12, 1999.

Municipal Assessment Agency Inc.

BALANCE SHEET

	1999 $	1998 $
ASSETS		
Current		
Cash	474,515	33,331
Accounts receivable *[note 3]*	386,767	869,155
Prepaid expenses	72,393	67,305
Total current assets	933,675	969,791
Capital assets *[note 4]*	603,629	264,718
	1,537,304	1,234,509
LIABILITIES AND SHAREHOLDER'S EQUITY		
Current		
Accounts payable and accrued liabilities	111,983	445,685
Due to Government of Newfoundland and Labrador	—	449,830
Accrued vacation pay	114,804	88,239
Deferred contributions - operating	72,393	67,305
Total current liabilities	299,180	1,051,059
Accrued severance pay	398,871	340,507
Deferred contributions - capital	603,629	264,718
	1,301,680	1,656,284
Shareholder's equity		
Share capital (authorized and issued 1 common share)	1	1
Surplus (deficit)	235,623	(421,776)
	235,624	(421,775)
Commitments and contingencies *[notes 5 and 6]*		
	1,537,304	1,234,509

See accompanying notes

On behalf of the Board:

Director

Director

Municipal Assessment Agency Inc.

STATEMENT OF REVENUES AND EXPENSES AND SURPLUS

Year ended March 31

	1999 $	1998 $
REVENUES		
Assessment services	3,206,505	2,561,559
Government of Newfoundland and Labrador - operating grant *[note 2]*	535,000	414,706
Valuation revenue	66,125	96,614
Interest revenue	31,566	6,028
	3,839,196	3,078,907
EXPENSES		
Salaries	2,095,488	2,108,371
Benefits	239,290	153,906
Travel	232,053	230,352
Premises and equipment lease	171,998	161,562
Information Technology	170,513	265,607
Telephone	70,675	69,289
Office supplies	34,938	34,478
Staff training	33,009	10,213
Postage/courier	22,721	—
Printing	10,325	14,690
Professional fees	8,086	8,000
Payroll processing	2,680	—
Advertising	2,639	797
Insurance	1,043	—
Entertainment	742	1,299
Miscellaneous	374	214
Bank charges	294	89
Bad debts	—	20,040
	3,096,868	3,078,907
Excess of revenues over expenses before the following	742,328	—
Provision for severance and vacation pay *[note 7]*	84,929	54,826
Amortization of deferred contributions - capital	(29,833)	(11,555)
Amortization of capital assets	29,833	11,555
Excess of revenues over expenses (expenses over revenues)	657,399	(54,826)
Deficit, beginning of year *[note 7]*	(421,776)	(366,950)
Surplus (deficit), end of year	235,623	(421,776)

See accompanying notes

Municipal Assessment Agency Inc.

STATEMENT OF CASH FLOWS

Year ended March 31

	1999 $	1998 $
OPERATING ACTIVITIES		
Excess of revenues over expenses (expenses over revenues)	657,399	(54,826)
Add (deduct) items not requiring a cash outlay		
Amortization of capital assets	29,833	11,555
Amortization of deferred contributions - capital	(29,833)	(11,555)
Increase in severance pay accrual *[note 7]*	58,364	54,826
Increase in vacation pay accrual *[note 7]*	26,565	—
	742,328	—
Net change in non-cash working capital balances	(301,144)	33,331
Cash provided by operating activities	441,184	33,331
FINANCING ACTIVITIES		
Contributions - capital assets	368,745	276,272
Cash provided by financing activities	368,745	276,272
INVESTING ACTIVITIES		
Purchase of capital assets	(368,745)	(276,272)
Cash used in investing activities	(368,745)	(276,272)
Net increase in cash	441,184	33,331
Cash, beginning of year	33,331	—
Cash, end of year	474,515	33,331

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 1999

1. FORMATION OF THE CORPORATION AND BASIS OF ACCOUNTING

Effective April 2, 1997, the Municipal Assessment Agency Inc. (the "Corporation") was incorporated under the laws of the Province of Newfoundland and Labrador to carry out assessment services for various municipalities throughout the Province of Newfoundland and Labrador pursuant to the Assessment Act. Prior to this date, these services were performed by the Department of Municipal and Provincial Affairs, Government of Newfoundland and Labrador (the "Department").

The Corporation has one common share with a par value of $1.00 issued to the Minister of Municipal and Provincial Affairs, Government of Newfoundland and Labrador.

The Corporation is a crown corporation and accordingly is exempt from paying income taxes under Subsection 149(1)(d) of the Income Tax Act.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Corporation have been prepared within the framework of generally accepted accounting principles which requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the Corporation are as follows:

Government of Newfoundland and Labrador - Funding

The Corporation received Government funding of $1,000,000 during the year ended March 31, 1999 of which it recognized $535,000 as operating revenue, $368,745 as deferred capital contributions and $8,778 as deferred operating contributions relating to prepaid expenses. The Corporation received $3,206,505 through assessment fees charged to the various municipalities. Government funding will be reduced to $500,000 for fiscal 1999/2000 as the Corporation is to receive assessment fees directly from the municipalities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Capital assets

Capital assets purchased by the Corporation are recorded at cost. Depreciation is recorded on a straight line basis over the assets estimated useful lives at the following rates:

Furniture and equipment	20%
Computer hardware and software	30%
Computer system under development	—

Assets under development are not depreciated until the asset is substantially complete at which time costs are transferred to computer hardware and software and depreciated accordingly.

The Corporation is currently using furniture, equipment and computers provided by the Department. As title to these assets have not been transferred to the Corporation, they have not been recorded in the accounts.

Revenue recognition

Government operating grants are recorded on an accrual basis.

Operating grants related to expenses of future periods are deferred and amortized to income as related expenses are incurred.

Government assistance related to acquisition of fixed assets is deferred and amortized to income on the same basis as the related capital assets are amortized.

Revenue for the provision of valuation services is recognized at the time the services are provided.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [Cont'd]

Accrued severance pay

Severance pay is accounted for on an accrued basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continued service and accrues to a maximum of twenty years, and accordingly no provision has been made in the accounts for employees with less than nine years of continued service. The amount is payable when the employee ceases employment with the Corporation.

Redundancy pay

Redundancy pay is recognized as a liability when it is probable that employees will be entitled to benefits and the amount can be reasonably estimated.

3. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	1999 $	**1998** $
Receivable from municipalities	**341,043**	872,604
Receivable form Government of Newfoundland and Labrador	**26,649**	16,591
Receivable from Government of Canada	**16,691**	—
Other	**2,384**	—
Allowance for doubtful accounts	—	(20,040)
	386,767	869,155

Receivables from municipalities consist of amounts due from municipalities throughout the Province of Newfoundland and Labrador related to assessment services completed in the 1999 and 1998 fiscal years. During 1999 fiscal, the Department of Finance, Government of Newfoundland and Labrador intercepted payments to certain municipalities in the amount of $5,357 on behalf of the Agency.

Municipal Assessment Agency Inc.

NOTES TO FINANCIAL STATEMENTS

March 31, 1999

4. CAPITAL ASSETS

Capital assets consist of the following:

	1999		
	Cost $	Accumulated amortization $	Net book value $
Computer hardware and software	**101,960**	**30,403**	**71,557**
Furniture and equipment	**61,841**	**10,986**	**50,855**
Integrated assessment system under development	**481,216**	**—**	**481,216**
	645,017	**41,389**	**603,628**

	1998		
	Cost $	Accumulated amortization $	Net book value $
Computer hardware and software	59,250	8,887	50,363
Furniture and equipment	26,675	2,668	24,007
Integrated assessment system under development	190,348	—	190,348
	276,273	11,555	264,718

5. COMMITMENTS

The Corporation has entered into leases for the rental of office space. Annual lease payments over the next two years are approximately as follows:

	$
2000	**70,000**
2001	**41,000**

6. CONTRACTUAL OBLIGATIONS

The Corporation has entered into a contract for the design, development and implementation of a computer assisted appraisal system. The new system has an estimated cost of approximately $627,000 of which $324,891 was incurred prior to year end.

7. SEVERANCE AND VACATION PAY

As at the time of incorporation, the Corporation assumed liabilities for severance pay, vacation and accrued overtime associated with employees transferred to the Corporation resulting in an opening deficit in the amount of $366,950. An agreement has not yet been finalized with the Province with respect to how this deficit will be funded.

The provision for severance and vacation pay consists of the following:

	1999 $	1998 $
Provision for severance pay		
Prior years service	26,629	32,959
Current years service	31,735	21,867
Provision for vacation pay	26,565	—
	84,929	54,826

8. FINANCIAL INSTRUMENTS

The carrying value of the primary financial instruments of the Corporation approximates fair value. At year end, the Corporation did not have any significant exposure to any party or counter party.

9. YEAR 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

10. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified to conform to the presentation adopted in 1999.

NEWCO IV CORPORATION

FINANCIAL STATEMENTS

DECEMBER 31, 1998

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Balance Sheet	2
Statement of Income and Deficit	3
Statement of Cash Flows	4
Notes to Financial Statements	5 - 7

NKHK
CHARTERED
ACCOUNTANTS

Suite 201, 516 Topsail Rd., St. John's, Nfld. A1E 2C5
Tel (709) 364•5600 Fax (709) 368•2146 E-mail: nkhk@nfld.com

AUDITORS' REPORT

To the Shareholders of
Newco IV Corporation

We have audited the balance sheet of Newco IV Corporation as at December 31, 1998 and the statements of income and deficit and cash flows for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

NKHK Chartered Accountants

St. John's, Newfoundland
February 15, 1999

NEWCO IV CORPORATION

Balance Sheet
December 31, 1998

	1998	1997
ASSETS		
Current		
Cash	$ 412,090	$ 267,061
Receivables (less allowance of $155,325)	-	30,000
GST receivable	113	38,393
Prepaid expenses	45,837	45,838
	$ 458,040	$ 381,292
LIABILITIES		
Accrual for quadrennial survey (Note 3)	$ 40,000	75,000
Due to Government of Newfoundland and Labrador (Note 4)	5,516,863	5,337,035
	5,556,863	5,412,035
SHAREHOLDERS' DEFICIENCY		
Capital stock		
Authorized		
Unlimited number of common shares		
Issued		
100 common shares	100	100
Deficit	5,098,923	5,030,843
	5,098,823	5,030,743
	$ 458,040	$ 381,292

On behalf of the Board:

______________________ Director

______________________ Director

NEWCO IV CORPORATION

Statement of Income and Deficit
Year Ended December 31, 1998

	1998	1997
Income		
Interest income	$ 657	$ -
Vessel lease	140,500	196,586
	141,157	196,586
Expenses		
Vessel operations:		
Bank charges	72	99
Insurance	23,890	65,800
Licenses and fees	148	162
Repairs & maintenance and other	32,298	49,290
Vessel lease	507,759	507,759
Recovery of bad debts	(30,000)	(42,000)
	534,167	581,110
Administration:		
Professional fees and office expenses	3,000	3,059
	537,167	584,169
Net loss before extraordinary item	(396,010)	(387,583)
Extraordinary item		
Forgiveness of long term debt (Note 4)	327,930	755,226
Net (loss) income for the year	(68,080)	367,643
Deficit as at beginning of year	5,030,843	5,398,486
Deficit as at end of year	$5,098,923	$5,030,843

NEWCO IV CORPORATION

Statement of Cash Flows
Year Ended December 31, 1998

	1998	1997
Operating activities		
Net (loss) income for the year	$ (68,080)	$367,643
Add (deduct) items not involving cash		
Accrual for quadrennial survey	(35,000)	37,500
Forgiveness of debt	(327,930)	(755,226)
	(431,010)	(350,083)
Changes in non-cash working capital		
Receivables - trade	30,000	(15,000)
- GST	38,280	(38,393)
Prepaid expenses	1	1
Payables	-	(551)
Cash (used in) operating activities	(362,729)	(404,026)
Financing activities		
Advances on long term debt	507,758	466,407
Cash provided by financing activities	507,758	466,407
Increase in cash during year	145,029	62,381
Cash position as at beginning of year	267,061	204,680
Cash position as at end of year	$412,090	$267,061

Notes to Financial Statements
December 31, 1998

1. General

The company was incorporated in May, 1987 for the primary purpose of leasing a vessel, M.V. Nain Banker, to carry on fish catching in Newfoundland.

2. Going concern

The financial statements have been prepared on the basis of a going concern, which contemplates that the company will be able to realize assets and discharge liabilities in the normal course of business.

3. Significant accounting policy

Quadrennial survey

The company is accruing an annual amount of $40,000 to provide for a quadrennial survey.

4. Due to Government of Newfoundland and Labrador

The Government of Newfoundland and Labrador has advanced monies to the company in the form of unsecured loans, and no set terms of repayment. In 1997, it was decided not to charge further interest on this debt.

The Government of Newfoundland and Labrador as represented by the Minister of Finance and Treasury Board notified the corporation that it had in December, 1998 forgiven the sum of $327,930 owed to the Province by the corporation as a result of advances previously made to the corporation to cover operating costs.

5. Loss carryforward

The company has losses for tax purposes available of $4,978,407 which can be carried forward up to 2005. These losses will start to expire in the following years unless utilized:

1999	-	$640,389
2000	-	861,666
2001	-	965,652
2002	-	944,697
2003	-	782,410
2004	-	387,583
2005	-	396,010

6. Contractual agreements

On December 16, 1988 the company entered into a charter agreement with Pitney Bowes of Canada for the vessel known as the "Nain Banker". The term of the charter is sixteen years, which commenced upon delivery of the vessel to the company on August 4, 1989.

The principal amount of the lease is $4,835,573 at an interest rate of 7.627%. The lease calls for 32 semi-annual payments of $253,879.

The company has two purchase options:

1. After fifteen years, the vessel can be purchased for 11% of the principal amount which is $531,913.
2. At the end of the charter term, the vessel can be purchased at its fair market value.

Under the terms of the charter, the company is responsible for all costs associated with the operations of the vessel.

7. Uncertainty due to the year 2000 issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000 and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. Management is making efforts to deal with the potential problem, however, it is not possible to be certain that all aspects of the Year 2000 issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

8. Operating agreement

On June 6, 1998 the company entered into an agreement with the Labrador Fishermen's Union Shrimp Company Limited to operate the vessel for a period of one year subject to a right of renewal. Consideration for this agreement will be $80,000 operating fee and $60,500 to cover an amount for refit and insurance.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

FINANCIAL STATEMENTS

31 MARCH 1998

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Members
Newfoundland and Labrador Arts Council
St. John's, Newfoundland

I have audited the balance sheet of the Newfoundland and Labrador Arts Council as at 31 March 1998 and the statement of revenue, expenditure and surplus for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
24 June 1998

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

BALANCE SHEET

31 MARCH 1998

	1998	1997
ASSETS		
Current		
Cash	$ 86,127	$207,150
Short term investments, at cost	344,426	170,690
Accounts receivable (Note 2)	27,616	2,748
Prepaid expenses	495	495
	458,664	381,083
Capital assets		
Furniture, fixtures and equipment	73,091	55,629
Less: expensed in year of acquisition	(69,176)	(51,714)
contributions to capital assets	(3,915)	(3,915)
	-	-
Arts fund (Note 3)	106,303	99,439
	$564,967	$ 480,522
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 64,114	$ 13,693
Due to Arts fund	200	-
Deferred revenue (Note 4)	372,843	356,439
	437,157	370,132
Equity		
Surplus from operations	21,507	10,951
Arts fund (Note 3)	106,303	99,439
	127,810	110,390
	$564,967	$480,522

See accompanying notes

Signed on behalf of the Council:

Chairperson

Member

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

FOR THE YEAR ENDED 31 MARCH 1998

	1998		1997
	Actual	Budget	Actual
REVENUE			
Province of Newfoundland			
Project grant	$ 292,500	$ 292,500	$ 292,500
Sustaining grant	185,000	185,000	185,000
Government of Canada grant	2,987	2,987	2,200
Other (Note 5)	533,731	559,782	875,166
	1,014,218	1,040,269	1,354,866
EXPENDITURE			
Grants awarded			
Project grants	171,445	170,000	188,342
Sustaining grants	185,000	185,000	185,000
	356,445	355,000	373,342
Projects			
Year of the Arts (Note 6)	346,909	353,998	830,848
Other (Note 7)	184,766	208,601	39,840
	531,675	562,599	870,688
Operating expenses (Note 8)	115,542	122,951	119,465
	1,003,662	1,040,550	1,363,495
Excess of revenue over expenditure (expenditure over revenue)	10,556	(281)	(8,629)
Surplus from operations, beginning of year	10,951	10,951	19,580
Surplus from operations, end of year	$ 21,507	$ 10,670	$ 10,951

See accompanying notes

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

Authority

The Newfoundland and Labrador Arts Council (the Council) operates under the authority of the Arts Council Act of the Province of Newfoundland. The Council has the responsibility of fostering and promoting the study and enjoyment of and the production of works in the arts. The Council consists of twelve members appointed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Council's management in accordance with generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. Outlined below is the significant accounting policy followed.

Capital assets

All capital assets are capitalized at cost at the time of acquisition. Contributions received for the purchase of capital assets are recorded separately as a reduction in cost. The cost of capital asset additions, less contributions, is charged to expenditure in the year of acquisition.

2. Accounts receivable

	1998	1997
Harmonized Sales Tax	$23,258	$ -
Accrued interest	2,523	-
Other	1,835	2,748
	$27,616	$2,748

3. Arts fund

The Arts fund was created pursuant to Section 9 of the Arts Council Act. The principal of the fund is to be kept intact and only the interest earned on the invested principal may be disbursed. This fund is comprised of monies received from the Consolidated Revenue Fund of the Province of Newfoundland and from gifts and bequests received without terms. Interest earned on the fund is held in trust in the fund until it is withdrawn. For the year ended 31 March 1998 interest of $6,864 (1997 - $7,968) has been earned through investment of the fund.

The composition of the fund is as follows:

	1998	1997
Province of Newfoundland	$ 40,000	$ 40,000
Gifts, bequests as per Section 12(2) of the Arts Council Act	2,870	2,870
	42,870	42,870
Interest allocated to Arts fund	63,433	56,569
	$106,303	$ 99,439

4. Deferred revenue

Deferred revenue represents revenue relating to future operating periods. The revenue will be reported in the applicable future period in which it relates.

5. Revenue - Other

	1998		1997
	Actual	Budget	Actual
Year of the Arts	$346,909	$353,998	$830,848
Impact conference	69,193	78,212	-
NewTel innovation	23,374	30,479	-
Arts Council awards	17,000	17,000	8,000
NewTel/Arts 97	16,238	17,692	10,000
ACOA/ERA marketing	15,896	18,325	-
Business and arts	15,096	16,122	-
Interest	9,184	8,000	15,190
HRD job creation	8,252	7,544	-
CHRC internship	6,742	6,742	-
Canadian Heritage/Arts 97	2,441	2,441	559
ERA impact travel	1,725	1,727	-
Miscellaneous	1,681	1,500	1,744
ACOA/Arts 97 Website	-	-	7,125
Project grant returns	-	-	1,700
	$533,731	$559,782	$875,166

6. Projects - Year of the Arts

	1998		1997
	Actual	Budget	Actual
Project Grants	$265,572	$270,968	$749,750
Salaries and employee benefits	66,664	67,530	66,976
Travel and meetings	6,625	6,500	4,248
Telephone	3,076	3,000	2,897
Honorariums	2,800	3,600	4,000
Postage	1,380	1,400	1,046
Office	792	1,000	1,931
	$346,909	$353,998	$830,848

7. Projects - Other

	1998 Actual	1998 Budget	1997 Actual
Impact conference	$ 69,193	$ 78,212	$ -
NewTel innovation	23,375	30,479	-
NewTel/Arts 97	16,238	17,692	10,000
ACOA/ERA marketing	15,896	18,325	-
Business and arts	15,096	16,122	-
Arts Council awards	13,873	14,000	15,597
HRD job creation	8,252	7,544	-
CHRC internship	6,691	6,742	-
PATF Grants	6,409	9,330	2,670
CEIC Grant	2,987	2,987	-
Project Evaluating fees	2,590	3,000	1,040
Canadian Heritage/Arts 97	2,441	2,441	559
ERA impact travel	1,725	1,727	-
ACOA/Arts 97 Website	-	-	9,974
	$184,766	$208,601	$39,840

8. Operating expenses

	1998 Actual	1998 Budget	1997 Actual
Salaries and employee benefits	$ 77,531	$ 74,600	$76,312
Travel and council meetings	14,317	20,000	10,141
Office and postage	13,434	16,201	14,379
Miscellaneous	3,690	4,350	2,966
Telephone	2,837	3,500	3,353
Professional services	2,070	2,100	1,400
Advertising	1,663	2,200	2,485
Capital assets	-	-	8,429
	$115,542	$122,951	$119,465

9. Related party transactions

The Council leases office space from the Province of Newfoundland at an annual rate of $1.

10. Pensions

Council staff are subject to the Public Service Pensions Act. Employee contributions are matched by the Council and then remitted to the Province of Newfoundland Pooled Pension Fund from which pensions will be paid to employees when they retire. The Council's share of pension contributions for 1998 was $3,288 (1997 - $3,209).

11. Economic dependence

As a result of the Council's reliance on Provincial funding, the Council's ability to continue viable operations is dependent upon the decisions of the Province.

12. Income taxes

The Council is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Members
Newfoundland and Labrador Arts Council
St. John's, Newfoundland

I have audited the balance sheet of the Newfoundland and Labrador Arts Council as at 31 March 1999 and the statement of revenue, expenditure and surplus for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
25 June 1999

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

BALANCE SHEET

31 MARCH 1999

	1999	1998
ASSETS		
Current		
Cash	$445,554	$ 86,127
Short term investments, at cost	113,627	344,426
Accounts receivable (Note 2)	40,383	27,616
Prepaid expenses	1,838	495
	601,402	458,664
Capital assets		
Furniture, fixtures and equipment	74,069	73,091
Less: expensed in year of acquisition	(70,154)	(69,176)
contributions to capital assets	(3,915)	(3,915)
	-	-
Arts fund (Note 3)	112,348	106,303
	$713,750	$564,967
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$458,013	$ 64,114
Due to Arts fund	7,482	200
Deferred revenue (Note 4)	125,694	372,843
	591,189	437,157
Equity		
Surplus from operations	10,213	21,507
Arts fund (Note 3)	112,348	106,303
	122,561	127,810
	$713,750	$564,967

See accompanying notes

Signed on behalf of the Council: Debbie McGee
Chairperson **Member**

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

FOR THE YEAR ENDED 31 MARCH 1999

	1999 Actual	1999 Budget	1998 Actual
REVENUE			
Province of Newfoundland			
Project grant	$ 294,400	$ 294,400	$ 292,500
Sustaining grant	185,000	185,000	185,000
Government of Canada grant	1,316	1,316	2,987
Other (Note 5)	943,222	963,039	533,731
	1,423,938	1,443,755	1,014,218
EXPENDITURE			
Grants awarded			
Project grants	170,423	176,000	171,445
Sustaining grants	185,000	185,000	185,000
PATF grants	9,204	8,921	6,409
	364,627	369,921	362,854
Projects			
Festival of Arts	533,279	535,000	-
Newtel Innovation	231,855	237,863	23,375
Year of the Arts	8,542	8,542	346,909
Other (Note 6)	178,676	191,750	152,392
	952,352	973,155	522,676
Operating expenses (Note 7)	118,253	122,186	118,132
	1,435,232	1,465,262	1,003,662
Excess of (expenditure over revenue) revenue over expenditure	(11,294)	(21,507)	10,556
Surplus from operations, beginning of year	21,507	21,507	10,951
Surplus from operations, end of year	$ 10,213	$ -	$ 21,507

See accompanying notes

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

The Newfoundland and Labrador Arts Council (the Council) operates under the authority of the Arts Council Act of the Province of Newfoundland. The Council has the responsibility of fostering and promoting the study and enjoyment of and the production of works in the arts. The Council consists of twelve members appointed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Council's management in accordance with generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. Outlined below is the significant accounting policy followed.

Capital assets

All capital assets are capitalized at cost at the time of acquisition. Contributions received for the purchase of capital assets are recorded separately as a reduction in cost. The cost of capital asset additions, less contributions, is charged to expenditure in the year of acquisition.

2. Accounts receivable

	1999	1998
Cultural Industries Development Initiative	$20,000	$ -
Harmonized Sales Tax	17,177	23,258
Accrued interest	534	2,523
Other	2,672	1,835
	$40,383	$27,616

3. Arts fund

The Arts fund was created pursuant to Section 9 of the Arts Council Act. The principal of the fund is to be kept intact and only the interest earned on the invested principal may be disbursed. This fund is comprised of monies received from the Consolidated Revenue Fund of the Province of Newfoundland and from gifts and bequests received without terms. Interest earned on the fund is held in trust in the fund until it is withdrawn. For the year ended 31 March 1999 interest of $6,045 (1998 - $6,864) has been earned through investment of the fund.

The composition of the fund is as follows:

	1999	1998
Province of Newfoundland	$ 40,000	$ 40,000
Gifts, bequests as per Section 12(2) of the Arts Council Act	2,870	2,870
	42,870	42,870
Interest allocated to Arts fund	69,478	63,433
	$112,348	$106,303

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

4. Deferred revenue

Deferred revenue represents revenue relating to future operating periods. The revenue will be reported in the applicable future period to which it relates.

5. Revenue - Other

	1999 Actual	1999 Budget	1998 Actual
Festival of Arts	$533,279	$535,000	$ -
NewTel Innovation	231,855	237,863	23,374
Arts Smarts	85,314	95,000	-
ACOA/ERA marketing	28,284	30,000	15,896
HRD job creation	12,748	12,748	8,252
Arts awards	12,000	12,000	17,000
CHRC internship	10,686	10,686	6,742
Interest	8,862	8,000	9,184
Year of the Arts	8,542	8,542	346,909
Operation Online	7,298	8,000	-
Business and arts	2,826	4,000	15,096
Miscellaneous	1,528	1,200	1,681
Impact conference	-	-	69,193
NewTel/Arts 97	-	-	16,238
Canadian Heritage/Arts 97	-	-	2,441
ERA impact travel	-	-	1,725
	$943,222	$963,039	$533,731

NEWFOUNDLAND AND LABRADOR ARTS COUNCIL

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

6. Projects - Other

	1999 Actual	1999 Budget	1998 Actual
Arts Smarts	$ 85,314	$ 95,000	$ -
Arts awards	29,848	30,000	13,873
ACOA/ERA marketing	28,640	30,000	15,896
HRD job creation	12,748	12,748	8,252
CHRC internship	10,686	10,686	6,691
Operation Online	7,298	8,000	-
Business and arts	2,826	4,000	15,096
CEIC grant	1,316	1,316	2,987
Impact conference	-	-	69,193
NewTel/Arts 97	-	-	16,238
Canadian Heritage/Arts 97	-	-	2,441
ERA impact travel	-	-	1,725
	$178,676	$191,750	$152,392

7. Operating expenses

	Actual	1999 Budget	1998 Actual
Salaries and employee benefits	$ 75,054	$ 75,200	$77,531
Travel and Council meetings	13,379	15,000	14,317
Office and postage	13,243	15,201	13,434
Miscellaneous	4,353	4,685	3,690
Project evaluating fees	3,550	3,000	2,590
Advertising	3,416	3,500	1,663
Telephone	2,480	2,800	2,837
Professional services	1,800	1,800	2,070
Capital assets	978	1,000	-
	$118,253	$122,186	$118,132

8. Related party transactions

The Council leases office space from the Province of Newfoundland at an annual rate of $1.

9. Pensions

Council staff are subject to the Public Service Pensions Act. Employee contributions are matched by the Council and then remitted to the Province of Newfoundland Pooled Pension Fund from which pensions will be paid to employees when they retire. The Council's share of pension contributions for 1999 was $3,521 (1998 - $3,288).

10. Economic dependence

As a result of the Council's reliance on Provincial funding, the Council's ability to continue viable operations is dependent upon the decisions of the Province.

11. Income taxes

The Council is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

13. Uncertainty due to Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or other third parties, will be fully resolved.

Newfoundland and Labrador Film Development Corporation

St. John's, NF

Financial Statements

March 31, 1999

Newfoundland and Labrador Film Development Corporation

St. John's, NF

Financial Statements

March 31, 1999

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KIRBY AND COMPANY
CERTIFIED GENERAL ACCOUNTANTS
■

GERALD E. KIRBY, CGA
A. MORRIS PINSENT, CGA

PATRICK G. GALE
JERRY OSER, CA
JOHN C. KEARLEY

AUDITORS' REPORT

To the shareholders of Newfoundland and Labrador Film Development Corporation

We have audited the balance sheet of Newfoundland and Labrador Film Development Corporation as at March 31, 1999 and the statements of surplus, income and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of Newfoundland and Labrador Film Development Corporation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Kirby and Company
EPR Kirby and Company
Certified General Accountants

St. John's, Newfoundland
July 14, 1999

200 Water Street, St. John's, Newfoundland A1C 1A9
Telephone (709) 726-0000 Fax: (709) 726-2200
Email: epr_kirbyco@nfld.com Visit http://epr.ca

Offices Across Canada, Affiliations Worldwide

Newfoundland and Labrador Film Development Corporation
Balance Sheet
As at March 31, 1999

	1999	1998
ASSETS		
CURRENT		
Cash	$ -	$ 1,770
Accounts receivable	52,540	14,308
Prepaid expenses	5,595	1,099
	58,135	17,177
CAPITAL ASSETS (Note 2)	17,655	13,728
	$ 75,790	$ 30,905
LIABILITIES		
CURRENT		
Bank indebtedness	$ 17,746	$ -
Accounts payable and accruals	2,720	18,205
	20,466	18,205
SHAREHOLDERS' EQUITY		
SHARE CAPITAL		
Authorized		
600 common shares of no par value		
Issued and outstanding		
600 shares	3	3
SURPLUS	55,321	12,697
	55,324	12,700
	$ 75,790	$ 30,905

APPROVED BY THE BOARD

Director

Karen Goffman Director

Oct 18 '99 Date

EPR KIRBY AND COMPANY
Gerald E. Kirby, Professional Corporation
CERTIFIED GENERAL ACCOUNTANTS

Newfoundland and Labrador Film Development Corporation
Statement of Surplus
Year ended March 31, 1999

	1999	1998
BALANCE - BEGINNING OF YEAR	$ 12,697	$ -
NET INCOME	42,624	12,697
BALANCE - END OF YEAR	$ 55,321	$ 12,697

Newfoundland and Labrador Film Development Corporation
Statement of Operations
Year ended March 31, 1999

	1999	1998
REVENUE		
Government Funding	$ 550,000	f
Equity Investment Program	244,460	170,000
New Initiatives Funding	40,269	
Other	10,768	-
REVENUE	$ 845,497	$ 170,000
EXPENSES		
Advertising and promotion	17,873	2,441
Entertainment	3,457	-
HST	19,051	-
Guest productions	38,135	-
Office administration	51,735	21,648
Professional fees	23,565	18,294
Promotion/publications	22,689	1,450
Printed materials	2,937	-
Salaries and benefits	207,384	66,699
Conferences and travel	121,174	45,614
	508,000	156,146
INCOME FROM OPERATIONS	337,497	13,854
OTHER EXPENSES		
Equity Funding	244,525	-
New Initiatives Funding	45,935	-
Depreciation	4,413	1,157
	294,873	1,157
NET INCOME	$ 42,624	$ 12,697

Newfoundland and Labrador Film Development Corporation
Statement of Changes in Financial Position
Year ended March 31, 1999

	1999	1998
CASH PROVIDED FROM (USED FOR)		
OPERATIONS		
Net income	$ 42,624	$ 12,697
Items not affecting cash		
Depreciation	4,413	1,157
Cash provided from operations	47,037	13,854
Changes in		
Accounts receivable	(40,000)	-
Prepaid expenses	(4,496)	(1,099)
Accounts payable and accruals	(13,717)	3,897
	(11,176)	16,652
FINANCING ACTIVITIES		
Proceeds (redemption) of shares	-	3
	-	3
INVESTING ACTIVITIES		
Purchase of capital assets	(8,340)	(14,885)
NET CASH (USED)	(19,516)	1,770
CASH BALANCE - BEGINNING OF YEAR	1,770	-
CASH BALANCE - END OF YEAR	$ (17,746)	$ 1,770

CASH BALANCE CONSISTS OF:		
Cash	$ -	$ 1,770
Bank indebtedness	(17,746)	-
	$ (17,746)	$ 1,770

Newfoundland and Labrador Film Development Corporation
Notes to Financial Statements
Year ended March 31, 1999

1. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Company are in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Outlined below are those policies considered particularly significant.

Depreciation

Depreciation is calculated using the declining balance method at the rates indicated below.

Furniture and fixtures	-	20 %	declining balance
Computer	-	30 %	declining balance

2. CAPITAL ASSETS

	Cost	Accumulated Depreciation	Net Book Value 1999	Net Book Value 1998
Furniture and fixtures	$ 12,524	$ 2,739	$ 9,785	$ 7,429
Computer	10,701	2,831	7,870	6,299
	$ 23,225	$ 5,570	$ 17,655	$ 13,728

3. COMPARATIVE FIGURES

Prior year figures have been reclassified where applicable to conform to current presentation.

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Chairperson and Members of
Newfoundland and Labrador Housing Corporation

I have audited the balance sheet of Newfoundland and Labrador Housing Corporation as at 31 March 1999 and the statements of revenue and expenditure, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
28 June 1999

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

BALANCE SHEET

31 MARCH 1999

	1999 (000's)	1998 (000's)
ASSETS		
Cash	$ 41	$ 26
Accounts receivable (Note 2)	3,970	6,694
Due from Canada Mortgage and Housing Corporation (CMHC)	1,724	-
Inventory and prepaid expenses (Note 3)	2,853	2,596
Mortgages and loans receivable (Note 4)	117,490	124,080
Receivable from municipalities re: land transfers (Note 5)	915	-
Repossessed units (Note 6)	342	484
Land assemblies (Note 7)	20,625	26,263
Rental properties (Note 8)	257,967	264,620
Capital assets (Note 9)	7,978	7,994
	$413,905	$432,757
LIABILITIES AND EQUITY		
Bank loan	$ 4,144	$ 4,114
Accounts payable and accrued liabilities	6,805	9,049
Due to Province of Newfoundland (Note 10)	2,036	881
Due to Canada Mortgage and Housing Corporation (CMHC)	-	1,338
Deferred revenue (Note 11)	4,308	8,147
Capital replacement fund (Note 12)	4,394	3,513
Mortgage insurance fund (Note 13)	2,784	3,151
Mortgages, debentures and similar indebtedness (Note 14)	125,951	131,645
CMHC investment in cost-shared programs (Note 15)	193,747	201,267
Canada Lands Corporation investment in land (Note 16)	2,875	-
	347,044	363,105
Equity - Province of Newfoundland (Note 17)	66,861	69,652
	$413,905	$432,757

Contingent liabilities (Note 18)

See accompanying notes

Signed on behalf of the Board: ______ Chairperson ______ Member

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 1999

	1999 (000's)	1998 (000's)
REVENUE		
Canada Mortgage and Housing Corporation (Note 20)	$ 59,463	$ 59,423
Rent	20,724	22,572
Interest	16,039	16,132
Land assembly sales	8,436	4,527
Province of Newfoundland operating grant	6,884	5,608
Other income	199	511
	$111,745	$108,773
EXPENDITURE		
CMHC share of interest revenue	$ 6,447	$ 6,937
Grants to homeowners	2,723	1,972
Grants to non-profit groups	10,159	10,071
Interest and bank charges	3,241	3,118
Land assembly costs (Note 7)	7,335	6,097
Losses on mortgages, loans and repossessions	879	2,310
Loss on sale of rental properties	3,389	322
Mortgage subsidies	2,995	3,190
Net administration (Note 21)	4,995	4,528
Rent supplement subsidies	3,767	3,893
Rental unit expenses (Note 22)	65,815	66,335
	$111,745	$108,773

See accompanying notes

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 1999

	1999 (000's)	1998 (000's)
Cash provided by (used in):		
Operating activities		
Non-cash items		
Mortgage subsidies	$ 2,995	$ 3,190
Losses on mortgages, loans and repossessions	879	2,310
Depreciation of rental properties	3,270	3,204
Loss on sale of rental properties	3,389	322
Depreciation of capital assets	781	675
CMHC portion of non-cash items	2,592	1,087
	13,906	10,788
Net change in other operating items	629	6,527
	14,535	17,315
Financing activities		
Advances from mortgages, debentures, and similar indebtedness	45,095	54,256
Repayments on mortgages, debentures, and similar indebtedness	(50,789)	(75,860)
Increase in CMHC investment in cost-shared programs	1,125	3,589
Repayments of CMHC investment in cost-shared programs	(8,362)	(10,185)
Transfer of equity to Province of Newfoundland operating grant (Note 17)	(2,791)	-
	(15,722)	(28,200)
Investing activities		
Advances of mortgages and loans	(3,015)	(5,920)
Principal recoveries of mortgages and loans	4,958	4,607
Investment in rental properties	(986)	(41)
Sale of rental properties	980	11,346
Investment in capital assets	(765)	(1,148)
	1,172	8,844
Decrease (increase) in bank loan less cash	(15)	(2,041)
Bank loan less cash, beginning of year	(4,088)	(2,047)
Bank loan less cash, end of year	$ (4,103)	$ (4,088)

See accompanying notes

NEWFOUNDLAND AND LABRADOR HOUSING CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

The Newfoundland and Labrador Housing Corporation (the Corporation) operates under authority of the Housing Corporation Act. The purpose of the Corporation is to provide cost-effective housing and related programs for the benefit of the residents of the Province with priority given to those most in need. Its affairs are governed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Mortgages and loans receivable

An allowance for mortgages and loans impairment is estimated based on the value of accounts referred to a collection agency and the accounts with reported arrears balances. The security and source of funding for the accounts that are in arrears are considered in this estimation.

(b) Repossessed units

Repossessed units are valued at the lower of cost and net realizable value based on appraised values and the estimated recovery of cost through social housing rental programs.

(c) Land assemblies

Land assemblies are valued at the lower of cost and net realizable value. Items capitalized as the cost of land assemblies include land acquisition costs, development costs, interest and administrative charges.

Land assembly sales are recognized as earned. A portion of the sales revenue is deferred to cover future anticipated costs relative to the land sold. The percentage of revenue deferred is equal to the percentage of cost to complete on a project by project basis.

1. Significant accounting policies (cont.)

(d) Rental properties

Rental properties are valued at the lower of cost less accumulated depreciation and net recoverable amount. Items capitalized as the cost of a project include land acquisition costs, development and construction costs, interest and other related carrying charges. In instances where properties have been transferred from government departments, costs have been recorded at $1. Depreciation is calculated using the methods described below based on the expected future useful life of all assets as follows:

Federal/Provincial, non-profit housing	Sinking fund, 25-50 years
Corporation owned, market housing	
- Capital cost	2% declining balance
- Renovation costs	Straight line, 15 years

(e) Capital assets

All capital assets are capitalized at cost at the time of acquisition. Depreciation is calculated using the methods described below based on the expected future useful life of all assets as follows:

Office buildings	2% declining balance
Furniture and office equipment	Straight line, 10 years
Computer hardware	Straight line, 3 years
Computer software	Straight line, 10 years
Vehicles	Straight line, 5 years

(f) Severance pay

Severance pay is calculated based upon years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continual service, and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. The amount is payable when the employee ceases employment with the Corporation unless the employee transfers to another entity in the public service, in which case the liability is transferred with the employee to the other entity.

(g) Forgivable loans

The forgivable portions of loans made under the Provincial Home Repair Program are recorded as grants.

2. Accounts receivable

	1999 (000's)	1998 (000's)
Land sales, net of allowance for cancellations of $1,650,000 (1998 - $300,000)	$ 2,705	$ 5,228
Rents	436	242
Miscellaneous	2,485	2,205
	5,626	7,675
Less: allowance for doubtful accounts	1,656	981
	$ 3,970	$ 6,694

3. Inventory and prepaid expenses

	1999 (000's)	1998 (000's)
Inventory	$ 369	$ 433
Prepaid expenses	2,484	2,163
	$ 2,853	$ 2,596

4. Mortgages and loans receivable

	1999 (000's)	1998 (000's)
Mortgages to non-profit sponsors	$ 48,792	$ 49,428
Subsidized mortgages to homeowners	35,582	39,389
Residential Rehabilitation Assistance Program loans	26,606	30,499
Other mortgages and loans	8,965	8,907
Provincial Home Repair Program	1,225	-
	121,170	128,223
Less: allowance for impaired accounts	3,680	4,143
	$117,490	$124,080

The allowance for impaired mortgages and loans relates primarily to the Residential Rehabilitation Assistance Program loans portfolio.

5. Receivable from municipalities re: land transfers

In September 1998, the Province directed the Corporation to enter into agreements with municipalities to transfer its banked and developed industrial and commercial land. The agreements will transfer these lands to the municipalities under a mortgage arrangement and provide for a share of future land sales revenue to the Corporation.

As agreements are completed, the associated land is transferred from the land assemblies asset account and recorded as a receivable from municipalities re: land transfers. The receivable is valued at the lower of the carrying value of the land at the date of transfer and the Corporation's share of the net realizable value of the land as outlined in the agreement. The estimated net realizable value is determined using management's best estimates of future sales. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates are not predictable. Consequently, adjustments to the carrying value of the receivable from municipalities re: land transfers are possible depending upon the impact of any changes and management's best estimate of them.

During the year the Corporation completed one such agreement and transferred land to a municipality at a carrying value of $915,000. Since 31 March 1999, nine additional agreements have been completed for the transfers of land with a total carrying value of $1,602,420.

6. Repossessed units

	1999 **(000's)**	1998 (000's)
Repossessed units	**$ 987**	$ 1,148
Less: allowance for impairment	**645**	664
	$ 342	$ 484

7. Land assemblies

	1999 (000's)	1998 (000's)
Land assemblies, beginning of year	$26,263	$26,826
Costs incurred during the year:		
Land acquisition and development	556	4,662
Interest, capitalized	579	447
Interest, not capitalized	562	425
	27,960	32,360
Less land assembly costs recognized during year:		
Allowance for write down to net realizable value	(675)	(1,677)
Cost of earned sales	(6,660)	(4,420)
	(7,335)	(6,097)
Land assemblies, end of year	$20,625	$26,263

Land assemblies are valued at the lower of cost and net realizable value. The estimated net realizable value is determined using management's best estimates of future sales and costs. Management recognizes that changes in future conditions, such as market demand, assumed in making these estimates, are not predictable. Consequently, material adjustments to the carrying value of the asset are possible depending upon the impact of any changes and management's best estimate of them. In September of 1998, the Province directed the Corporation to divest of the majority of its land holdings.

8. Rental properties

	1999				1998
	Cost (000's)	Accumulated Depreciation (000's)	Write Down To Net Recoverable Amount (000's)	Net Book Value (000's)	Net Book Value (000's)
Federal/Provincial non-profit housing	$270,446	$21,343	$135	$248,968	$255,598
Corporation owned market housing					
- Capital cost	11,337	2,830	-	8,507	8,312
- Renovation costs	105	25	-	80	287
Leased land	412	-	-	412	423
	$282,300	$24,198	$135	$257,967	$264,620

Leased land was revalued by the former St. John's Housing Corporation prior to amalgamation with the Corporation as follows:

	1999 (000's)	1998 (000's)
Historical value of leases signed prior to 1967	$262	$262
Amounts outstanding under purchase option agreements	150	161
	$412	$423

9. Capital assets

	1999			1998
	Cost (000's)	Accumulated Depreciation (000's)	Net Book Value (000's)	Net Book Value (000's)
Office buildings	$ 7,128	$1,387	$5,741	$5,751
Furniture and office equipment	6,129	4,776	1,353	1,526
Vehicles	2,166	1,282	884	717
	$15,423	$7,445	$7,978	$7,994

10. Due to Province of Newfoundland

The Due to Province of Newfoundland account is charged with operating deficits incurred by the Corporation and credited with the annual grant voted by the Legislature. This treatment has resulted in a surplus of operating grants over operating deficits of $2,036,000 as follows:

	1999 (000's)	1998 (000's)
Surplus, beginning of year	$ 1,396	$ 169
Grant voted	4,733	6,835
Transfer of equity to operating grant (Note 17)	2,791	-
Operating grant, actual	(6,884)	(5,608)
Net surplus for the year	640	1,227
Surplus, end of year	2,036	1,396
Other receivables	-	(515)
	$ 2,036	$ 881

11. Deferred revenue

	1999 (000's)	1998 (000's)
Land sales	$ 1,895	$ 4,935
CMHC program subsidies	1,400	2,200
Rentals	1,013	1,012
	$4,308	$8,147

Land sales represents the portion of land sales that has been deferred to cover related future land assembly costs.

CMHC program subsidies represent amounts deferred to cover the future effect on program costs resulting from inflation and changes in interest rates. Such amounts were provided under the Canada-Newfoundland Social Housing Agreement signed in April 1997 (see Note 20).

Rentals consist of rental payments received by the Corporation in advance of the due dates.

12. Capital replacement fund

In accordance with program guidelines, sponsor groups for non-profit and urban native housing projects are required to set aside funds for the replacement of major capital items. The management and control of the funds for a significant number of project sponsors has been assumed by the Corporation. These funds accrue interest at the Corporation's prime rate less 1/2 of one percent. The funds are held on behalf of the project sponsors and are released as eligible capital replacement expenditures are incurred.

Transactions relating to the capital replacement fund during the year are as follows:

	1999 (000's)	1998 (000's)
Balance, beginning of year	$3,513	$2,639
Annual funding provisions	584	541
Interest accrued during the year	245	141
Replacement reserve funds remitted by sponsors	52	192
Balance, end of year	$4,394	$3,513

Management estimates that additional replacement reserve funding of approximately $3.9 million will be required over the next six years.

13. Mortgage insurance fund

Upon signing the Canada - Newfoundland Social Housing Agreement (see Note 20), the Corporation assumed liability for all losses and costs that may be incurred in respect of a portfolio of loans that were owned and previously insured by Canada Mortgage and Housing Corporation (CMHC). In return, CMHC provided the Corporation with a $3,000,000 mortgage insurance fund as protection against future losses. Losses on loans and associated expenditures are deducted from the fund, while interest earnings are added to the fund.

	1999 (000's)	1998 (000's)
Balance, beginning of year	$3,151	$ -
Transfer from CMHC	-	3,000
Losses for the year	(566)	-
Accrued interest	199	151
	$2,784	$3,151

The fund covers a portfolio of federal loans totalling $137,417,000. The majority of these loans relate to Social Housing projects that receive significant federal/provincial annual operating subsidies or nursing home accommodations with Provincial Government guarantees. While an independent actuarial valuation of the fund has not been carried out, the fund is considered adequate by the Corporation's management.

14. Mortgages, debentures and similar indebtedness

	1999 (000's)	1998 (000's)
With fixed terms of repayment		
(a) CMHC fixed rate term debentures, at interest rates of 7.95% and 8.33%, repayable in blended annual instalments of $2,927,000; due dates ranging from December 2021 to January 2030	$ 32,082	$ 32,439
(b) Canadian Imperial Bank of Commerce demand loan, at the prime rate of interest repayable in blended annual instalments of $1,971,000; due dates ranging from December 2020 to December 2021	25,373	25,607

14. Mortgages, debentures and similar indebtedness (cont.)

	1999 (000's)	1998 (000's)
(c) Canadian Imperial Bank of Commerce fixed rate bankers acceptances, at interest rates ranging from 5.54% to 5.87%; due dates ranging from April 1999 to March 2000	**45,096**	31,819
(d) Canadian Imperial Bank of Commerce fixed term loan at an interest rate of 7.75%, interest instalments due monthly; total principal balance due February 2004	**10,000**	10,000
(e) Canadian Imperial Bank of Commerce variable rate demand loan at the prime rate of interest repayable in blended annual instalments of $457,985 to March 2007	**2,896**	3,150
(f) Canadian Imperial Bank of Commerce fixed term loan at an interest rate of 6.31% repayable in blended monthly payments of $40,745; due January 2013	**4,504**	4,702
	119,951	107,717
With no fixed terms of repayment		
(g) Canadian Imperial Bank of Commerce unsecured demand loans at the prime rate of interest	**6,000**	22,638
(h) Province of Newfoundland non-interest bearing loan	**-**	1,290
	6,000	23,928
	$125,951	$131,645

A Corporation-owned office building with a carrying value of $5,221,000 has been pledged as security for mortgages and loans totalling $2,896,000.

14. Mortgages, debentures and similar indebtedness (cont.)

Principal repayments for the next five years on the $119,951,000 of debt with fixed terms of repayment are as follows:

	(000's)
2000	$46,273
2001	$1,272
2002	$1,363
2003	$1,469
2004	$1,580

15. CMHC investment in cost-shared programs

	1999 (000's)	1998 (000's)
Non-profit rental housing	$ 95,598	$ 96,187
Rural and native housing	80,942	83,998
Home repair assistance	17,207	18,607
Land assemblies (Note 16)	-	2,475
	$193,747	$201,267

The principal and interest payments required to amortize CMHC's investment in non-profit rental housing and rural and native housing is funded entirely through the annual federal grant paid by CMHC, pursuant to the Canada - Newfoundland Social Housing Agreement signed in April 1997 (see Note 20).

Repayment of CMHC's investment in the home repair assistance programs has no fixed terms and is dependant upon future repayments of principal and interest on mortgages and loans.

16. Canada Lands Corporation investment in land

On 14 December 1998, Canada Lands Corporation (CLC) acquired Canada Mortgage and Housing Corporation's interest in the Mount Pearl-Newtown land assembly. Repayment of this investment has no fixed terms and is dependent on future land sales.

17. Equity - Province of Newfoundland

	1999 (000's)	1998 (000's)
Balance, beginning of year	$69,652	$69,652
Reduction for loss on disposal of Sheshatshiu units (See Note 10)	2,791	-
Balance, end of year	$66,861	$69,652

During 1998/99, the Province directed the Corporation to dispose of 32 units to the Sheshatshiu Innu Band Council for $1. At the time of disposition, these units had a net book value of $2,791,000. The Province of Newfoundland has authorized a write-off of its capital investment in the Corporation to fund this $2,791,000 loss.

18. Contingent liabilities

(a) Claims have been filed against the Corporation for:

(i) General damages related to the enforcement of a Sales and Development Agreement for a shopping mall complex;

(ii) $100,000 relating to funds withheld from a contractor for deficiencies on houses constructed. This claim was filed by the contractor against both the Corporation (the mortgagee) and the homeowners of the houses; and

(iii) General damages related to an alleged breach of contract relating to the sale of an apartment and commercial complex property.

The above claims have not progressed far enough to enable the formation of a definite opinion as to their outcome; thus, the likelihood and the amount of loss to the Corporation is not determinable at this time.

(b) The Corporation has provided $4,270,477 in residential mortgage guarantees for qualifying homeowners. Presently the probability of loss resulting from these guarantees is unlikely.

(c) In 1996, the Corporation learned that possible environmental liabilities exist with respect to potential large quantities of fuel left in abandoned fuel storage facilities in the Stephenville area. Information received from a study completed in 1997 indicates the estimated cost of undertaking further study and environmental remediation based on the information to date is in the range of $2.1 million to $3.0 million. The Corporation has started this remediation process and has undertaken some of the further study required. The Corporation's responsibility for this cost and the full remediation costs can not be determined at this time as the assignment of responsibility must be arranged by the Province of Newfoundland with the Government of Canada.

18. Contingent liabilities (cont.)

(d) In 1998, the Corporation learned that possible environmental liabilities exist with respect to environmental contaminants including hydrocarbons and various heavy metals in the soil and groundwater on 20 hectares of the total 102 hectares in the Paradise area. Title to this site had been transferred to the Town of Paradise during 1998/99 as part of the Corporation's land divestiture program; however, the Corporation will be liable for any costs that must be incurred to clean-up the site. During 1998/99, the Corporation undertook phase I and phase II environmental audits to confirm the presence of environmental contaminants; however, further study is necessary to determine the extent of the clean-up costs. Although the environmental contamination appears to be significant, environmental clean-up cost can not be estimated until further study is undertaken.

19. Financial instruments

Credit risk

Accounts receivable consist primarily of amounts due on land sales, federal/provincial harmonized sales tax rebates, Canada Mortgage and Housing Corporation and amounts due from non-profit housing sponsors, which in aggregate represent 92% of balances outstanding.

Interest rate risk

The mortgages and loans receivable portfolio have the following effective rates and terms:

Mortgages to non-profit sponsors with a carrying value of $48,792,000 earned an effective interest rate of 6.2% and all are renewed over a one-year term.

Subsidized mortgages to homeowners with a carrying value of $35,582,000 earned an effective interest rate of 8.1%. Interest rates on the majority of these mortgages are fixed to maturity, with maturity dates ranging from 2001 to 2018 with 50% reaching maturity by 1 February 2008.

Residential Rehabilitation Assistance Program loans with a carrying value of $26,606,000 earned an effective rate of 9.5%. Interest rates are fixed to maturity with maturity dates ranging from 1999 to 2017 with 50% reaching maturity by 1 April 2010.

Provincial Home Repair Program loans with a carrying value of $1,225,000 earned an effective interest rate of 3.8%. Interest rates are fixed to maturity with maturity dates ranging from 1999 to 2014 with 50% reaching maturity by 1 January 2006.

Other mortgages and loans with a carrying value of $8,965,000 earned an effective interest rate of 7.3%. Interest rates on the majority of these mortgages and loans are fixed to maturity, with maturity dates ranging from 1999 to 2028 with 50% reaching maturity by 1 May 2004.

20. Revenue from Canada Mortgage and Housing Corporation

CMHC's share of program subsidies and administration costs are as follows:

	1999 (000's)	1998 (000's)
1997 Canada-Newfoundland Social Housing Agreement	$56,068	$57,241
Remote housing	-	155
Emergency repair	23	107
Land assembly profits	(888)	(927)
Mortgages	62	54
Residential Rehabilitation Assistance Program	421	2,793
Provincial Home Repair Program	3,777	-
	$59,463	$59,423

On 22 April 1997, the Corporation signed an agreement with Canada Mortgage and Housing Corporation (CMHC) replacing all existing social housing program agreements between the two parties relating to social housing programs, with the exception of certain loan and mortgage programs.

21. Net administration

	1999 (000's)	1998 (000's)
Program delivery:		
Advertising and promotion	$ 11	$ 15
General	365	440
Office equipment leasing	55	35
Rent, heat, light, cleaning and maintenance	578	559
Salaries and employee benefits	12,493	12,329
Shop and office equipment purchases	264	259
Shop and office supplies	122	122
Telephone and postage	330	339
Travel	512	471
Vehicle expenses	512	447
	15,242	15,016

21. Net administration (cont.)

	1999 (000's)	1998 (000's)
Executive and support services:		
Advertising and promotion	60	68
Computer system charges	1,085	1,271
General	316	346
Office equipment leasing	30	27
Office equipment purchases	75	87
Office supplies	61	70
Rent, heat, light, cleaning and maintenance	759	706
Salaries and employee benefits	3,246	3,645
Telephone and postage	138	150
Travel	47	54
Vehicle expenses	20	24
	5,837	6,448
Total administration	21,079	21,464
Less: recharged to rental units - maintenance	8,644	8,694
recharged to rental units - administration	7,218	7,859
recharged to capital projects	222	383
	$ 4,995	$ 4,528

22. Rental unit expenses

	1999 (000's)	1998 (000's)
Administration	$ 7,218	$ 7,859
Bad debts	178	191
Depreciation	3,270	3,204
Heat, light and operating	7,351	8,364
Interest on long term debt	27,635	27,688
Municipal taxes	3,814	3,888
Repairs and maintenance	16,349	15,141
	$65,815	$66,335

23. Commitments

The Corporation has commitments totalling $5,313,000 comprised of uncompleted purchase and construction contracts at year end of $1,274,000 and commitments under lending programs of $4,039,000.

24. Pensions

Under the Housing Corporation Act, Corporation staff are subject to the Public Service Pensions Act, 1991. Employee contributions are matched by the Corporation and remitted to the Province of Newfoundland Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension contributions for 1999 was $702,000 (1998 - $655,000).

25. Self-insurance

With the exception of certain high-risk projects, the Corporation follows the policy of self-insuring its rental properties for property damage such as fire, water and vandalism. The costs of these repairs are charged to rental unit expenses.

26. Economic dependence

As a result of the Corporation's reliance on Provincial funding, the Corporation's ability to continue to fulfil its mandate is dependent upon the decisions of the Province of Newfoundland.

27. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or other third parties, will be fully resolved.

28. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Newfoundland and Labrador Hydro

Financial Statements

December 31, 1998

HYDRO

auditors' REPORT

To the Lieutenant-Governor in Council
Province of Newfoundland

We have audited the consolidated balance sheet of Newfoundland and Labrador Hydro as at December 31, 1998 and the consolidated statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles. As required by The Hydro Corporation Act, we report that, in our opinion, these principles have been applied on a basis consistent with that of the preceding year.

St. John's, Newfoundland
Canada
February 16, 1999

Ernst & Young LLP
Chartered Accountants

HYDRO

consolidated BALANCE SHEET

December 31, 1998 with comparative figures for 1997

millions of dollars	1998	1997
ASSETS		
Fixed assets (Note 2)		
Fixed assets in service	2,804.0	2,780.7
Less contributions in aid of construction	142.3	113.6
	2,661.7	2,667.1
Less accumulated depreciation	688.4	669.2
	1,973.3	1,997.9
Construction in progress	16.8	10.4
	1,990.1	2,008.3
Current assets		
Cash and short-term investments	13.8	17.8
Receivables	90.9	64.4
Current portion of rate stabilization plan	17.0	13.1
Fuel and supplies at average cost	39.6	47.1
Prepaid expenses	2.7	3.9
	164.0	146.3
Sinking funds (Notes 5 and 7)	113.3	144.3
Rate stabilization plan	31.7	28.3
Investments (Note 3)	21.7	25.8
Deferred charges (Note 4)	202.3	191.8
	2,523.1	2,544.8

See accompanying notes

HYDRO

consolidated BALANCE SHEET

December 31, 1998 with comparative figures for 1997

millions of dollars	1998	1997
LIABILITIES AND SHAREHOLDER'S EQUITY		
Long-term debt (Note 5)	1,398.5	1,334.0
Current liabilities		
Bank indebtedness	4.7	2.7
Accounts payable and accrued liabilities	48.0	36.4
Accrued interest	33.9	36.5
Long-term debt due within one year (Note 5)	124.7	147.3
Promissory notes (Note 5)	83.1	209.9
	294.4	432.8
Foreign exchange loss provision	7.0	6.0
Long-term payable (Note 6)	1.9	4.8
Non-controlling interest in CF(L)Co	114.9	113.6
Non-controlling interest in LCDC	14.8	14.8
Shareholder's equity		
Share capital		
Common shares of par value of $1 each		
Authorized 25,000,000 shares; issued 22,503,942 shares	22.5	22.5
Contributed capital (Note 3)		
Lower Churchill Development	15.4	15.4
Muskrat Falls Project	2.2	2.2
Gull Island Project	100.0	100.0
Retained earnings	551.5	498.7
	691.6	638.8
Commitments and contingencies (Notes 9 and 10)		
	2,523.1	2,544.8

See accompanying notes

On behalf of the Board:

DIRECTOR

Judy Pound-Curtis

DIRECTOR

consolidated STATEMENT OF INCOME AND RETAINED EARNINGS

Year ended December 31, 1998 with comparative figures for 1997

millions of dollars	1998	1997
Revenue		
Energy sales	391.8	376.9
Recovery of costs in rate stabilization plan	10.9	7.2
Rentals and royalties	0.5	0.5
Other	1.6	1.2
	404.8	385.8
Expenses		
Operations and administration	114.8	106.9
Fuels	26.9	43.9
Amortization of costs in rate stabilization plan	10.9	7.2
Power purchased	7.1	2.5
Depreciation	49.8	48.0
Interest (Note 8)	117.8	128.4
	327.3	336.9
Net income from operations	77.5	48.9
Non-controlling interest	7.9	5.5
Net income	69.6	43.4
Retained earnings, beginning of year	498.7	476.2
	568.3	519.6
Dividends	16.8	20.9
Retained earnings, end of year	551.5	498.7

See accompanying notes

consolidated STATEMENT OF CHANGES IN FINANCIAL POSITION

Year ended December 31, 1998 with comparative figures for 1997

millions of dollars	1998	1997
Cash provided by (used in)		
Operating activities		
Net income	77.5	48.9
Add (deduct) items not involving a cash flow		
Depreciation	49.8	48.0
Amortization of deferred exchange loss	1.1	1.0
Amortization of other deferred charges	2.1	3.2
Rate stabilization plan	(7.3)	(11.1)
Other	3.2	2.5
	126.4	92.5
Decrease in long-term payable	(2.9)	(2.9)
Change in non-cash balances related to operations	(4.5)	2.4
	119.0	92.0
Financing activities		
Long-term debt issued	201.6	101.6
Long-term debt retired	(224.3)	(390.6)
Deferred foreign exchange loss incurred	(11.8)	(6.6)
Dividends paid by a subsidiary to a non-controlling interest	(6.6)	(5.4)
Increase (decrease) in promissory notes	(126.8)	134.5
	(167.9)	(166.5)
Dividends	(16.8)	(20.9)
Investing activities		
Decrease (increase) in investments	4.1	(20.6)
Increase in sinking funds	(34.6)	(49.8)
Sinking funds redeemed	129.1	162.5
Reductions (additions) to deferred charges	(3.5)	2.8
Additions to fixed assets	(34.0)	(32.0)
Net change in payables and receivables relating to investing activities	(1.4)	1.3
	59.7	64.2
Net decrease in cash	(6.0)	(31.2)
Cash and short-term investments, beginning of year	15.1	46.3
Cash and short-term investments, end of year	9.1	15.1
Cash is represented by		
Cash and short-term investments	13.8	17.8
Bank indebtedness	(4.7)	(2.7)
	9.1	15.1

See accompanying notes

notes TO CONSOLIDATED FINANCIAL STATEMENTS

Year ended December 31, 1998

NEWFOUNDLAND and Labrador Hydro ("HYDRO") is incorporated under a special act of the Legislature of the Province of Newfoundland (the "Province") as a Crown corporation and its principal activity is the development, generation and sale of electric power. HYDRO and its subsidiary companies, other than Twin Falls Power Corporation Limited, are exempt from paying income taxes under Section 149 (1) (d) of the Income Tax Act.

1. *Summary of Significant Accounting Policies*

BASIS OF PRESENTATION

THE consolidated financial statements have been prepared in conformity with generally accepted accounting principles as established in Canada and to conform with recommendations of the Board of Commissioners of Public Utilities of the Province of Newfoundland ("PUB").

PREPARATION of these consolidated financial statements requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results.

RATES AND REGULATIONS (Excluding sales by subsidiaries)

THE Province enacted legislation in 1996 that changes the manner in which HYDRO will be regulated. In future, the rates to be charged to all customers and HYDRO's earnings on a rate of return basis, will be fully regulated. As well, its capital expenditure program is subject to review and approval by the PUB.

RATES charged rural customers do not recover the full costs of providing the service but HYDRO recovers the resulting deficit from other customers.

PRINCIPLES OF CONSOLIDATION

THE consolidated financial statements include the financial statements of HYDRO and its subsidiary companies, Churchill Falls (Labrador) Corporation Limited ("CF(L)Co"), (65.8% owned), Gull Island Power Company Limited ("GIPCo"), (100% owned) and Lower Churchill Development Corporation Limited ("LCDC"), (51% owned).

CF(L)Co is incorporated under the laws of Canada and has completed and commissioned a hydroelectric generating plant and related transmission facilities situated in Labrador and having a rated capacity of 5,428,000 kilowatts ("CF(L)Co Project"). A power contract with Hydro-Québec, dated May 12, 1969 ("Power Contract") provides for the sale of substantially all the energy from the CF(L)Co Project until 2041.

notes TO CONSOLIDATED FINANCIAL STATEMENTS

1. *Summary of Significant Accounting Policies (cont'd)*

PRINCIPLES OF CONSOLIDATION (cont'd)

THE cost of HYDRO's investment in CF(L)Co exceeded the equity in the book value of the net assets acquired by $77.1 million. This amount is assigned to fixed assets and is being amortized on a straight-line basis at the rate of 1.5% per annum. As at December 31, 1998, $27.5 million (1997 - $26.6 million) had been amortized.

UNDER the terms and conditions of the Churchill Falls (Labrador) Corporation (Lease) Act, 1961, CF(L)Co must pay rentals and royalties to the Province annually.

A portion of HYDRO's shareholding in CF(L)Co is deposited in a voting trust pursuant to an agreement with Hydro-Québec.

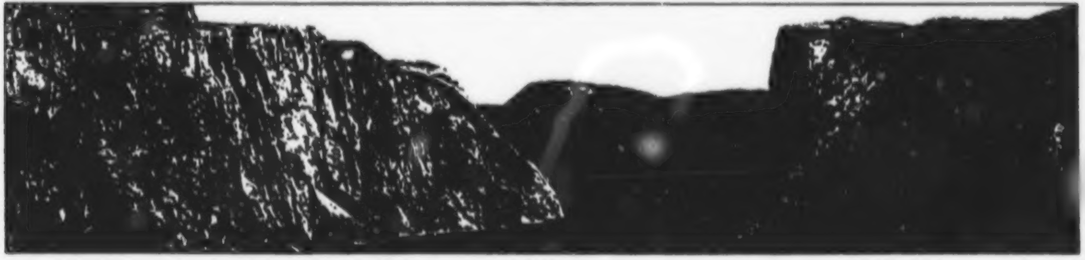
GIPCo is incorporated under the laws of Canada. Its objective was to develop the hydroelectric potential at Gull Island on the Lower Churchill River in Labrador, and construct a direct current transmission system from Labrador to the island of Newfoundland (the "Gull Island Project"), (see Note 3).

LCDC is incorporated under the laws of Newfoundland and was established with the objective of developing all or part of the hydroelectric potential of the Lower Churchill River (the "Lower Churchill Development"), (see Note 3).

CF(L)Co holds 33.3% of the equity share capital of Twin Falls Power Corporation Limited ("Twin Falls") and is a party with other shareholders in a participation agreement which gives CF(L)Co joint control of Twin Falls. This investment is accounted for by the proportionate consolidation method.

SHORT-TERM INVESTMENTS

SHORT-TERM investments consist primarily of Canada treasury bills and banker's acceptances bearing interest from 4.65% to 5.47% (1997 - 4.08% to 4.43%) with original maturities at date of purchase of beyond one month and less than twelve months. Such short-term investments are carried at cost, which approximates fair value, due to the short period of time to maturity.



notes TO CONSOLIDATED FINANCIAL STATEMENTS

1. *Summary of Significant Accounting Policies (cont'd)*

FIXED ASSETS AND DEPRECIATION

EXPENDITURES for additions, improvements and renewals are capitalized and normal expenditures for maintenance and repairs are charged to operations.

Hydro, GIPCo and LCDC

PLANT under construction includes the costs incurred in preliminary feasibility studies, engineering and construction of new generation, transmission and distribution facilities. Interest is charged to plant under construction at rates equivalent to the weighted average cost of funds borrowed.

HYDRO has made no provision in its accounts to date for future removal and site restoration costs. The inclusion of these costs in the rate base is subject to the rate setting process.

CONTRIBUTIONS in aid of construction are funds received from customers and governments toward the cost of capital assets. Contributions are treated as a reduction to fixed assets and the net fixed assets depreciated.

DEPRECIATION is calculated on hydroelectric generating plant and on transmission plant in service on the sinking fund method using interest factors ranging from 5.25% to 15.79%. Depreciation on other plant in service is calculated on the straight-line method. These methods are designed to fully amortize the cost of the facilities, after deducting contributions in aid of construction, over their estimated service lives.

ESTIMATED service lives of the major assets are as follows:

Generation Plant	
Hydroelectric	50, 75 and 100 years
Thermal	25 and 30 years
Diesel	20 years
Transmission	
Lines	40 and 50 years
Switching stations	40 years
Distribution System	30 years
Other	3 to 50 years

CF(L)Co

CF(L)Co uses the group depreciation method for certain property, plant and equipment other than the generation plant, transmission and terminals and service facilities.

DEPRECIATION is provided on a straight-line basis over the following estimated useful lives:

Generation Plant	
Hydroelectric	67 years
Transmission and Terminals	67 years
Service facilities	67 years
Other	5 to 100 years

1. *Summary of Significant Accounting Policies (cont'd)*

FIXED ASSETS AND DEPRECIATION (cont'd)

CF(L)Co has made no provision in its accounts for future removal and site restoration costs as they cannot be estimated at this time.

LOSSES on other than normal retirements are charged to operations in the year incurred as adjustments to depreciation expense.

DEBT DISCOUNT AND FINANCING EXPENSES

THESE costs are amortized on a straight-line basis over the lives of the respective debt issues.

RATE STABILIZATION PLAN

ON January 1, 1986, HYDRO, having received the concurrence of the PUB, implemented a rate stabilization plan which primarily provides for the deferral of cost variances resulting from changes in fuel prices, levels of precipitation and load. The balance in the plan is amortized over a three year period. Adjustments required in retail rates to cover the amortization of the balance in the plan do not require a reference to the PUB and are implemented on July 1 of each year. Similar adjustments required in industrial rates are implemented on January 1 of each year.

PROMISSORY NOTES

PROMISSORY Notes bear interest from 4.92% to 5.60% (1997 - 3.75% to 5.25%) with carrying value approximating fair value due to their short term nature.

REVENUE RECOGNITION

REVENUE is recorded on the basis of power deliveries made.

DEFERRED revenue represents amounts billed under the Power Contract in excess of energy delivered. Receivables comprise amounts related to energy delivered in excess of the base amount, as defined by the Power Contract.

DIFFERENCES between amounts related to energy delivered and the base amounts are determined annually and are subject to interest at 7% (1997 - 7%). These amounts are also subject to yearly review and adjustment.

FOREIGN CURRENCY TRANSLATION

FOREIGN currency transactions are translated into their Canadian dollar equivalent as follows:

(a) At the transaction date, each asset, liability, revenue or expense is translated using exchange rates in effect at that date.

(b) At each balance sheet date monetary assets and liabilities are translated using exchange rates in effect at that date.

  (i) In the case of HYDRO, foreign exchange losses related to long-term debt, including current portion, are subject to the rate setting process. The PUB has accepted the inclusion by HYDRO of realized foreign exchange losses in rates charged to customers. Any such loss, net of any gain, not recovered due to the operation of the rate setting process is deferred to the time of the next rate hearing for inclusion in the new rates to be set at

notes TO CONSOLIDATED FINANCIAL STATEMENTS

1. *Summary of Significant Accounting Policies (cont'd)*

FOREIGN CURRENCY TRANSLATION (cont'd)

that time. Commencing in 1992, the PUB required HYDRO to provide a $1.0 million a year provision for a foreign exchange loss on its Swiss Franc denominated debt. This provision is included in interest expense.

(ii) Under the provisions of the Power Contract CF(L)Co's exposure for a foreign exchange loss is limited. CF(L)Co recovers a portion of the difference between actual foreign exchange rates prevailing at the settlement dates of its First Mortgage Bonds and a Weighted Average Exchange Rate as defined in the Power Contract. The recoverable portion of the unrealized foreign exchange loss is deferred until the settlement dates. The foreign exchange loss not recoverable under the Power Contract is being amortized to operations on a straight line basis over the remaining life of the debt.

PENSION PLAN

EMPLOYEES are covered by the Province's Public Service Pension Plan to which contributions are made equally by employers and employees. The employers also provide group life insurance and health care benefits on a cost shared basis to its retired employees and in certain cases, their surviving spouses. The cost of providing these benefits is charged to operations as the benefits are incurred.

2. *Fixed Assets*

	Fixed Assets in Service	Contribution In aid of Construction	Accumulated Depreciation	Construction In Progress
millions of dollars			1998	
Generation Plant				
Hydroelectric	1,468.7	48.3	271.2	0.8
Thermal	244.3	–	155.5	1.9
Diesel	51.0	10.2	15.5	0.2
Transmission and Distribution	664.0	57.3	130.2	2.7
Service facilities	34.0	–	12.6	–
Project costs (Note 3)	97.0	–	–	–
Capital studies (Note 3)	25.0	–	–	–
Other	220.0	26.5	103.4	11.2
	2,804.0	142.3	688.4	16.8

2. *Fixed Assets (cont'd)*

millions of dollars	Fixed Assets in Service	Contribution In aid of Construction	Accumulated Depreciation	Construction In Progress
			1997	
Generation Plant				
Hydroelectric	1,468.2	20.8	285.2	1.0
Thermal	243.9	–	143.7	0.2
Diesel	48.4	10.6	13.6	0.9
Transmission and Distribution	650.7	56.0	120.2	2.1
Service facilities	34.0	–	12.0	–
Project costs (Note 3)	97.2	–	–	–
Capital studies (Note 3)	24.9	–	–	–
Other	213.4	26.2	94.5	6.2
	2,780.7	113.6	669.2	10.4

CF(L)Co assets in service amounting to $940.2 million (1997 – $939.2 million) are pledged as collateral for long-term debt.

3. *Investments*

INVESTMENTS consist of the following:

millions of dollars	1998	1997
Lower Churchill Option	5.2	5.2
Government of Canada Coupons, at cost (market value $16.8; 1997 - $20.7)	16.5	20.6
	21.7	25.8

LCDC was incorporated in 1978 pursuant to the provisions of an agreement (the "Principal Agreement"), between the Province and the Government of Canada. The Province and the Government of Canada own equity interests of 51% and 49% of LCDC, respectively. The Principal Agreement provides that

3. *Investments (cont'd)*

future issues of Class A common shares shall preserve, as nearly as possible, this ratio of beneficial ownership. HYDRO is the designate for the Province's shareholding in LCDC.

UPON agreement to continue with the Lower Churchill Development, GIPCo's assets and the hydroelectric development rights to the Lower Churchill River, (the "Water Rights"), will be acquired by LCDC pursuant to the provisions of an agreement between LCDC and the Province, (the "Option Agreement"). The purchase price in respect of GIPCo's assets will be a maximum of $100.0 million less $5.2 million representing the value assigned to 520 Class A common shares of LCDC issued pursuant to the signing of the Option Agreement. As consideration for GIPCo's assets, LCDC will issue a 10% Convertible Demand Debenture in the amount of $94.8 million. LCDC will issue 3,000 Class B common shares, without nominal or par value, to the Province in consideration of the Water Rights and the Province will transfer such shares to HYDRO. The parties have agreed that the value of each Class B common share is $10,000. The Option Agreement expires November 24, 1999 and it is not anticipated that there will be any loss upon sale of GIPCo's assets to LCDC.

HYDRO holds 1,540 Class A common shares of LCDC which have a stated value of $10,000 each. 520 shares were acquired in 1979 pursuant to signing of the Option Agreement and 510 shares were acquired in each of the years 1980 and 1981, by way of capital contributions from the Province.

4. *Deferred Charges*

millions of dollars	1998	1997
Unamortized debt discount, financing expenses and other	16.4	15.1
Foreign exchange losses		
HYDRO - Realized	96.3	96.3
CF(L)Co		
Recoverable under the Power Contract	87.8	75.9
Unrecoverable portion to be amortized	11.7	11.7
	195.8	183.9
Less current portion recoverable included in current assets	9.9	7.2
	185.9	176.7
	202.3	191.8

notes TO CONSOLIDATED FINANCIAL STATEMENTS

5. *Long-Term Debt*

	Hydro	CF(L)Co	Total	Hydro	CF(L)Co	Total
millions of dollars		1998			1997	
Summary of long-term debt						
Long-term debt	1,134.4	388.8	1,523.2	1,079.8	401.5	1,481.3
Less payments due within one year	87.1	37.6	124.7	114.5	32.8	147.3
	1,047.3	351.2	1,398.5	965.3	368.7	1,334.0

Required repayments of long-term debt and sinking fund requirements over the next five years will be as follows:

millions of dollars	1999	2000	2001	2002	2003
	87.1	12.6	163.0	142.5	12.8

Details of long-term debt are as follows:

HYDRO

Series	Interest Rate %	Year of Issue	Call Date	Year of Maturity	1998	1997	
millions of dollars							
U	10.125	1988	–	1998	–	100.0	
M	10.250	1976	1998	2001	–	30.0	(a)
K	10.250	1978	1998	2001	–	35.0	(a)
N	13.375	1981	1999	2001	75.0	75.0	(a)
W	10.750	1991	–	2001	150.0	150.0	
	10.000	1977	1999	2002	30.0	30.0	(a)
Z	5.250	1997	2002	2002	100.0	100.0	
L	10.000	1978	1998	2003	–	40.0	(a)
V	10.500	1989	–	2014	125.0	125.0	(a)
X	10.250	1992	–	2017	150.0	150.0	(a)
Y	8.400	1996	–	2026	300.0	300.0	(a)
AA	5.500	1998	–	2008	200.0	–	
Total debentures					1,130.0	1,135.0	
Less sinking fund investments in own debentures					49.0	112.5	
					1,081.0	1,022.5	
Government of Canada loans at 5.25% to 7.91% maturing in 1998 to 2014					46.4	50.9	
Other					7.0	6.4	
					1,134.4	1,079.8	
Less payments due within one year					87.1	114.5	
					1,047.3	965.3	

PROMISSORY notes, debentures and long-term loans are unsecured and unconditionally guaranteed as to principal and interest and where applicable, sinking fund payments, by the Province. The Province charges HYDRO a guarantee fee of one percent annually on the total debt (net of sinking funds) guaranteed by the Province, outstanding as of the preceding December 31.

5. Long-Term Debt (cont'd)

CERTAIN debentures contain a provision whereby HYDRO may, at its option, redeem the debt issue at par value plus outstanding interest to the date of redemption.

(a) Sinking funds have been established for these issues.

THE payments due within one year include sinking fund requirements of $6.2 million (1997 - $9.3 million).

CF(L)Co

millions of dollars	1998	1997
First Mortgage Bonds		
7.750% Series A due December 15, 2007 (U.S. $196.3; 1997 - U.S. $216.8)	300.9	310.2
7.875% Series B due December 15, 2007	19.8	21.8
General Mortgage Bonds		
7.500% due three years after latest maturity of any First Mortgage Bonds	68.1	69.5
	388.8	401.5
Less payments due within one year	37.6	32.8
	351.2	368.7

THE First Mortgage Bonds, Series A and B, are repayable in fixed semi-annual and in contingent annual sinking fund instalments. There has been no contingent repayments in the last five years.

THE Deed of Trust and Mortgage securing the General Mortgage Bonds provides for semi-annual sinking fund payments and a balloon payment at maturity. Each semi-annual payment is equal to 1% of the aggregate principal amount outstanding on January 1, preceding each payment date. The General Mortgage Bonds are subordinate to the First Mortgage Bonds.

DUE to the contingent nature of the amounts of certain of the sinking fund instalments, it is not possible to be precise concerning long-term debt repayments over the next five years; however fixed sinking fund payments are estimated to average $44.0 million in each of the years 1999 to 2003 inclusive.

UNDER the terms of long-term debt instruments, CF(L)Co may pay cash dividends only out of earnings, as defined, accumulated from September 1, 1976.

6. *Long-Term Payable*

THE long-term payable to Hydro-Québec bears interest at 7% per annum and is repayable over a four year period which commenced in September 1996. The current portion of $2.9 million (1997 - $2.9 million) is included in accounts payable and accrued liabilities.

7. *Financial Instruments*

FAIR VALUE

THE estimated fair values of financial instruments as at December 31, 1998 and 1997 are based on relevant market prices and information available at the time. The fair value of long-term debt and the long-term payable is estimated based on the quoted market price for the same or similar debt instruments. The fair value estimates below are not necessarily indicative of the amounts that HYDRO might receive or incur in actual market transactions. As a significant number of HYDRO's assets and liabilities, including fuels and supplies and fixed assets, do not meet the definition of financial instruments, the fair value estimates below do not reflect the fair value of HYDRO as a whole.

	Carrying Value	Fair Value	Carrying Value	Fair Value
millions of dollars	1998		1997	
Financial Assets				
Sinking funds	113.3	118.3	144.3	155.8
Financial Liabilities				
Long-term debt including amount due in one year	1,523.2	1,792.4	1,481.3	1,723.3
Long-term payable including amount due in one year	4.8	4.6	7.7	7.6

CASH and short-term investments, accounts receivable and payable, bank indebtedness, promissory notes and accrued interest are all short-term in nature and as such, their carrying value approximates fair value. At December 31, 1998 of the total accounts receivable balance outstanding approximately 29.57% (1997 - 38.77%) is due from a regulated utility, 41.64% (1997 - 35.22%) from Hydro-Québec and 11.33% (1997 - nil) from another Crown Corporation of the Province.

SINKING FUNDS

SINKING fund investments consist of bonds, debentures, promissory notes and coupons issued by, or guaranteed by, the Government of Canada or any province of Canada, and have maturity dates ranging from 1999 to 2026. HYDRO debentures which Management intends to hold to maturity are deducted from long-term debt while all other sinking fund investments are shown separately on

7. *Financial Instruments (cont'd)*

SINKING FUNDS (cont'd)

the balance sheet as assets. Annual contributions to the various sinking funds are as per bond indenture terms, and are structured to ensure the availability of adequate funds at the time of expected bond redemption. Effective yields range from 5.80% to 11.68% (1997 - 4.16% to 15.22%).

8. *Interest Expense*

millions of dollars	1998	1997
Gross interest		
Long-term debt	155.3	176.4
Promissory notes	7.3	5.0
	162.6	181.4
Amortization of debt discount and financing expenses	1.8	2.3
Provision for foreign exchange losses	1.0	1.0
	165.4	184.7
Less		
Recovered from Hydro-Québec (a)	21.8	19.1
Interest capitalized during construction	0.4	0.4
Interest earned	36.8	47.9
Net interest expense	106.4	117.3
Debt guarantee fee	11.4	11.1
Net interest and guarantee fee	117.8	128.4

(a) Under the terms of the Power Contract, CF(L)Co recovers the difference between interest calculated at the rates prescribed in the Power Contract and interest paid on its long-term debt.

Also, CF(L)Co can require Hydro-Québec to make additional advances, against the issue of units of Subordinate Debentures and shares of common stock, to service its debt and to cover its expenses if funds are not otherwise available.

9. *Commitments and Contingent Liabilities*

(a) Under the terms of a sublease with Twin Falls, expiring on December 31, 2014, CF(L)Co is required to deliver to Twin Falls, at an agreed price, horsepower equivalent to the installed horsepower of the Twin Falls plant and to maintain Twin Falls' plant and equipment.

(b) HYDRO has received claims instituted by various companies with respect to construction costs, outages and plant shutdowns. The aggregate of these claims, less any amounts that have been provided for in HYDRO's financial statements is approximately $2.2 million (1997 - $2.1 million). The final resolution of these matters is currently under negotiation.

9. Commitments and Contingent Liabilities (cont'd)

Legal proceedings have been commenced against HYDRO by one of its customers claiming approximately $20.0 million related to outages and plant shutdowns. HYDRO is defending this claim and Management believes that this claim will not be successful.

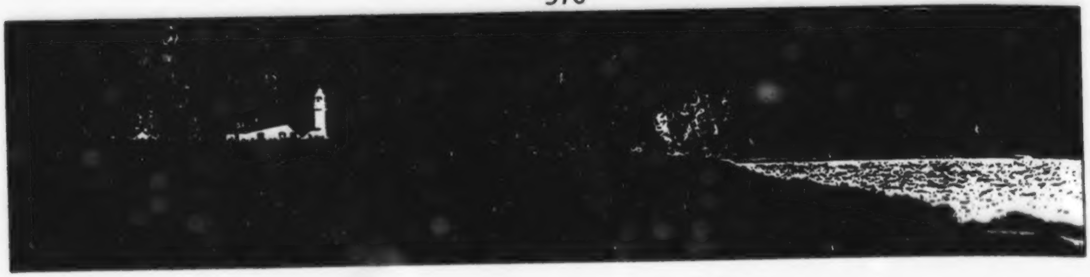
(c) Outstanding commitments for capital projects total approximately $16.0 million at December 31, 1998 (1997 - $7.6 million).

10. Year 2000

THE Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. Management has developed and is implementing a plan designed to identify and address the expected effects of the Year 2000 Issue on the Company. As at December 31, 1998, the Company has commenced the identification of computer systems that will require modification or replacement. An assessment of the readiness of third parties such as customers, suppliers and others is ongoing. However, it is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

11. Comparative Figures

CERTAIN of the 1997 comparative figures have been reclassified to conform with the 1998 financial statement presentation.



HYDRO

financial STATISTICS

Years ended December 31

in millions of dollars	1998	1997	1996	1995	1994
OPERATING RESULTS					
Revenue					
Energy sales	391.8	376.9	364.7	365.5	358.8
Rentals and royalties	0.5	0.5	0.5	0.7	0.7
Recovery of costs in RSP	10.9	7.2	1.5	–	–
Other	1.6	1.2	2.4	3.4	2.4
	404.8	385.8	369.1	369.6	361.9
Expenses					
Operations and administration	114.8	106.9	108.7	108.1	114.1
Amortization of RSP costs	10.9	7.2	1.5	–	–
Fuels and power purchased	34.0	46.4	43.8	42.3	41.2
Depreciation	49.8	48.0	46.8	45.7	41.1
Interest	117.8	128.4	134.6	134.8	142.8
	327.3	336.9	335.4	330.9	339.2
Net Income Before Non-controlling Interest	77.5	48.9	33.7	38.7	22.7
Non-controlling Interest	7.9	5.5	4.8	5.8	5.6
Net Income	69.6	43.4	28.9	32.9	17.1
Contributions to Net Income					
HYDRO Corporate	51.2	30.9	20.1	22.6	8.3
CF(L)Co	18.4	12.5	8.8	10.3	8.8
FINANCIAL POSITION					
Total Current Assets	164.0	146.3	170.7	156.1	145.6
Total Current Liabilities	294.4	432.8	324.4	427.3	196.2
Net Working Capital	(130.4)	(286.5)	(153.7)	(271.2)	(50.6)
Fixed Assets	2,678.5	2,677.5	2,649.8	2,601.3	2,566.4
Accumulated Depreciation	688.4	669.2	624.0	559.6	516.4
Fixed Assets, Net	1,990.1	2,008.3	2,025.8	2,041.7	2,050.0
Sinking Funds(1)	113.3	144.3	203.1	325.9	–
Other Assets	255.7	245.9	220.8	227.4	36.4
Long-Term Debt(1)	1,398.5	1,334.0	1,538.7	1,584.6	1,305.9
Other Liabilities	138.6	139.2	141.0	138.9	143.0
Shareholder's Equity	691.6	638.8	616.3	600.3	586.9
EMPLOYEES AT YEAR END					
Permanent	1,078	1,097	1,098	1,155	1,192
Temporary	196	156	155	180	221
Total	1,274	1,253	1,253	1,335	1,413

(1) Prior to 1995, all Sinking Funds were netted against Long-Term Debt

operating STATISTICS

Years ended December 31

	1998	1997	1996	1995	1994
INSTALLED GENERATING CAPACITY(rated MW)					
CF(L)Co	5,428	5,428	5,428	5,428	5,428
TWINCo	225	225	225	225	225
HYDRO					
Hydraulic	899	899	899	899	899
Thermal	645	645	645	645	645
Diesel	58	58	58	57	57
Total	7,255	7,255	7,255	7,254	7,254
ELECTRIC ENERGY GENERATED, NET (GWh)					
CF(L)Co	37,543	33,727	28,998	29,945	30,643
HYDRO					
Hydraulic	4,260	4,628	4,574	4,394	5,045
Thermal	1,255	1,528	1,409	1,554	795
Diesel	41	41	64	74	68
Total	43,099	39,924	35,045	35,967	36,551
ELECTRIC ENERGY SALES (GWh)					
CF(L)Co					
Export	32,793	30,301	25,748	26,693	27,413
HYDRO					
Utility	4,157	4,306	4,187	4,214	4,201
Rural	811	815	765	751	758
Industrial	1,286	1,660	1,637	1,541	1,405
Export	1,249	–	–	–	–
Total	40,296	37,082	32,337	33,199	33,777
AVERAGE SALES REVENUE (cents per kWh)					
CF(L)Co					
Export	0.26	0.27	0.29	0.30	0.28
HYDRO					
Utility	4.49	4.51	4.53	4.53	4.53
Rural	5.46	5.45	5.66	5.76	5.75
Industrial	3.26	3.24	3.27	3.27	3.26
Export	2.39	–	–	–	–
TRANSMISSION LINES (kilometres)					
CF(L)Co					
735 kV	608	608	608	608	608
230 kV	431	431	431	431	431
HYDRO					
230 kV	1,531	1,531	1,531	1,531	1,531
138 kV	1,482	1,482	1,482	1,431	1,353
69 kV	636	636	636	588	614
Total	4,688	4,688	4,688	4,589	4,537
PEAK DEMAND (MW)					
CF(L)Co System	5,602	5,584	5,577	5,690	5,664
HYDRO System	1,295	1,229	1,318	1,250	1,305

The Newfoundland Cancer Treatment and Research Foundation

Financial Statements

March 31, 1999

AUDITORS' REPORT

To the Members of **The Newfoundland**
Cancer Treatment and Research Foundation

We have audited the balance sheet of **The Newfoundland Cancer Treatment and Research Foundation** as at March 31, 1999 and the statements of revenue and expenditure, fund balances and statement of cash flow for the year then ended. These financial statements are the responsibility of the Foundation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

Except as explained in the following paragraph, we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In common with many charitable organizations, the Foundation derives revenue from donations and other fundraising activities, the completeness of which is not susceptible of satisfactory audit verification. Accordingly, our verification of these revenues was limited to the amounts recorded in the records of the Foundation and we were not able to determine whether any adjustments might be necessary to revenues, excess of expenditure over revenue, assets and fund balance.

In our opinion, except for the effect of adjustments, if any, which might have been required had we been able to satisfy ourselves with respect to the completeness of the revenues referred to in the preceding paragraph, these financial statements present fairly, in all material respects, the financial position of the Foundation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Ernst & Young LLP
Chartered Accountants

St. John's, Newfoundland,
May 21, 1999.

The Newfoundland Cancer Treatment and Research Foundation
Incorporated in Newfoundland under The Cancer Treatment and Research Foundation Act, 1971

BALANCE SHEET

As at March 31

	1999 $	1998 $
ASSETS		
Current		
Cash	**593,836**	271,606
Temporary Investments *[note 3]*	**331,277**	167,950
Accounts receivable *[note 4]*	**1,461,059**	356,176
Prepaid expenses	**2,750**	42,324
Total current assets	**2,388,922**	838,056
Capital assets *[note 5]*	**4,867,012**	5,250,471
	7,250,934	6,088,527
LIABILITIES AND ACCUMULATED FUNDS		
Current		
Accounts payable and accrued liabilities	**2,303,210**	1,805,782
Current portion of accumulated severance pay	**76,000**	36,459
Deferred revenue *[note 6]*	**116,630**	—
Due to Government of Newfoundland and Labrador, Department of Health	**261,939**	185,600
Total current liabilities	**2,757,779**	2,027,841
Accumulated severance pay	**324,423**	308,121
Deferred capital contributions	**2,049,434**	2,190,991
Funds		
Operating fund	**(693,280)**	(1,497,906)
Capital fund	**2,812,578**	3,059,480
	2,119,298	1,561,574
Commitments and contingency *[notes 7 and 9]*		
	7,250,934	6,088,527

See accompanying notes

On behalf of the Foundation:

Member

Member

The Newfoundland Cancer Treatment and Research Foundation

STATEMENT OF REVENUE AND EXPENDITURE

Year ended March 31

	1999 $	1998 $
REVENUE		
Government of Newfoundland and Labrador annual grant	**6,201,695**	5,564,383
M.C.P. Medical Services Grant	**1,220,091**	1,135,429
Clinical trials	**308,079**	263,978
Amortization of deferred capital contributions	**285,158**	277,627
Donations	**251,414**	416,701
Cancer Care Centre fundraising (net of costs of $108,331; 1998 - $24,859)	**110,641**	107,891
Third party billings	**89,605**	57,149
Interest	**38,116**	24,314
Miscellaneous	**36,593**	38,819
	8,541,392	7,886,291
EXPENDITURE		
Program, administrative and operating	**8,524,133**	8,653,104
Vacation and severance pay	**84,535**	58,259
	8,608,668	8,711,363
Excess of expenditure over revenue before the following	**(67,276)**	(825,072)
Deficit reduction funding - Department of Health *[note 6]*	**625,000**	—
Excess of revenue over expenditure (expenditure over revenue)	**557,724**	(825,072)

See accompanying notes

The Newfoundland Cancer Treatment and Research Foundation

STATEMENT OF FUND BALANCES

Year ended March 31

	Operating Fund $	Capital Fund $	Total 1999 $	Total 1998 $
Balance, beginning of year	(1,497,906)	3,059,480	1,561,574	2,386,646
Excess of revenue over expenditure (expenditure over revenue)	816,324	(258,600)	557,724	(825,072)
Interfund transfers	(11,698)	11,698	—	—
	(693,280)	2,812,578	2,119,298	1,561,574

See accompanying notes

The Newfoundland Cancer Treatment and Research Foundation

STATEMENT OF CASH FLOW

Year ended March 31

	1999 $	1998 $
OPERATING ACTIVITIES		
Excess of revenue over expenditure (expenditure over revenue)	557,724	(825,072)
Add (deduct) items not requiring an outlay of cash:		
Depreciation	543,758	409,256
Amortization of deferred capital contributions	(285,158)	(277,627)
Increase in severance pay accrual	55,843	36,459
	872,167	(656,984)
Net change in non-cash working capital balances	(538,239)	489,901
Cash provided by (used in) operating activities	333,928	(167,083)
INVESTING ACTIVITIES		
Purchase of capital assets	(155,299)	(269,619)
Increase in capital contributions	143,601	422,000
Cash (used in) provided by investing activities	(11,698)	152,381
Net increase (decrease) in cash	322,230	(14,702)
Cash, beginning of year	271,606	286,308
Cash, end of year	593,836	271,606

See accompanying notes

NOTES TO FINANCIAL STATEMENTS

March 31, 1999

1. GENERAL

The Newfoundland Cancer Treatment and Research Foundation (the "Foundation") was established in 1971 by an Act of the Provincial House of Assembly with a mandate to establish and coordinate a cancer control program in Newfoundland and Labrador. Through judicious employment of its resources and collaboration with institutions and community resources, the mission of the Foundation is to serve people of the province by providing excellent and comprehensive cancer treatment, prevention, screening and supportive programs, actively participating in the education of health care professionals and providers; continuing and fostering research of high quality and operating effective cancer registries.

The Foundation is a public organization and is exempt from income tax and may issue tax deductible receipts to donors.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Outlined below are those policies considered particularly significant to the Foundation.

Temporary Investments

Temporary investments are recorded at the lower of cost or market on a portfolio basis.

Capital assets

Capital assets purchased by the Foundation are recorded at cost and those donated to the Foundation are recorded at their estimated fair market value at the date of acquisition. Capital assets are amortized on a straight line basis over the following periods. A full year of depreciation is recorded in the year of acquisition.

Computer equipment	5 years
Office furniture and fixtures	10 years
Biomedical and other equipment	15 years
Building	30 years

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [cont'd]

Capital assets [cont'd]

Contributions received from the Department of Health for capital assets are deferred in the accounts and amortized over the same term and on the same basis as the related capital asset.

Donated artwork is recorded at estimated fair market value and is not amortized.

Revenue recognition

The Foundation recognizes donation revenue in the period in which it is received. Clinical trials revenue is recognized in the period in which it is earned based on the terms of the individual contracts.

All other revenues, including pledges, and expenses, including vacation pay, are recognized on the accrual basis of accounting.

Severance pay

A liability for severance pay is recorded in the accounts for all employees who have a vested right to receive a payment. No provision for the ultimate severance pay liability is made in the accounts for any employee who has less than nine years of eligible service.

Funds

Funds are classified as follows:

Operating - funds available for general purposes.

Capital Fund - fund representing balance of net capital assets held by the Foundation and deferred capital contributions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES [cont'd]

Accounting for transactions with the Department of Health for the Province of Newfoundland and Labrador

The Foundation is reimbursed by the Department for the total shareable operating costs. The final total to be received (paid) is subject to the Department of Health's incentive plan and is not determined until the Department has reviewed the Foundation's financial statements. The management of the Foundation considers that the amount recorded as receivable (payable) from (to) the Department reflects the proper recording of shareable revenues and operating costs. Adjustments resulting from the Department's review are reflected in the Operating Fund in the year of settlement.

3. TEMPORARY INVESTMENTS

Temporary investments consist of the following:

	1999 $	1998 $
Provincial bonds	231,405	—
Corporate bonds	99,872	—
Federal bonds	—	100,000
Mutual funds	—	67,950
	331,277	167,950

As at March 31, 1999, the total cost of temporary investments was $332,338 (1998 market value - $194,031).

Market yields on provincial bonds range from 5.2% to 6.0%; maturity dates range from February 1, 2006 to September 8, 2020 (no provincial bonds were held at March 31, 1998).

Market yield on the corporate bonds is 6.3%; maturity date is June 26, 1999 (no corporate bonds were held at March 31, 1998).

4. ACCOUNTS RECEIVABLE

Accounts receivable consists of the following:

	1999 $	1998 $
Due from Department of Health		
Deficit reduction funding	625,000	—
Salaries	54,390	58,683
Seat purchases	—	14,000
Capital	128,601	—
Other	51,000	2,225
M.C.P. receivable	400,405	81,913
Clinical trials	118,717	137,040
Other	82,946	62,315
	1,461,059	356,176

5. CAPITAL ASSETS

Capital assets are comprised of the following:

	1999		
	Cost $	Accumulated depreciation $	Net book value $
Building	2,532,600	422,173	2,110,427
Biomedical and other equipment	4,121,186	1,869,344	2,251,842
Computer equipment	702,039	508,047	193,992
Office furniture and fixtures	492,444	218,633	273,811
Donated artwork	31,940	—	31,940
	7,880,209	3,018,197	4,862,012

	1998		
	Cost $	Accumulated depreciation $	Net book value $
Building	2,532,600	337,753	2,194,847
Biomedical and other equipment	3,993,189	1,599,658	2,393,531
Computer equipment	681,416	368,923	312,493
Office furniture and fixtures	489,549	169,389	320,160
Donated artwork	29,440	—	29,440
	7,726,194	2,475,723	5,250,471

6. GOVERNMENT FUNDING

Government of Canada - Health Canada

During the year, the Foundation entered into an agreement under the Health Infrastructure Support Program ("Provincial Systemic Therapy Program") with the government of Canada and a medical oncologist. The purpose of the agreement is to provide funding for costs associated with the development of an information management network linking all hospital and community pharmacies across the province of Newfoundland and Labrador with a central database. The central database will contain routinely updated standards and clinical trials systemic therapy protocol information, patient demographics and clinical information.

Under the terms of the agreement, the government will make contributions of an amount not to exceed $285,658 to carry out the project. The terms of this agreement expire on March 31, 2000. During the year, the Foundation received funding in the amount of $76,255 under the agreement which is included as deferred revenue.

Government of Newfoundland and Labrador - Department of Health

In March, 1999 the government of Newfoundland and Labrador announced an incremental funding arrangement for the provincial health care system. Funding will be provided through government's 1999 - 2000 budget to eliminate the accumulated deficits of Institutional Boards to March 31, 1998. The Foundation's share of this funding is $625,000 which has been recorded in the 1998-99 fiscal year.

7. COMMITMENTS

The Foundation is committed under long-term leases on computer equipment and other equipment to make rental payments as follows over the next three years:

	$
2000	12,119
2001	5,012
2002	2,439

7. COMMITMENTS [cont'd]

Subsequent event

Subsequent to year end, the government of Newfoundland and Labrador committed to a five year funding arrangement of $1.5 million of the total estimated costs of $2.8 million to replace a radiation treatment unit ("Clinic 18") at the Foundation. Commencing in fiscal 2000, government will allocate $300,000 per annum for five years ending in fiscal 2004. The Foundation will be responsible for funding the balance of the purchase, estimated at $1.3 million.

8. FINANCIAL INSTRUMENTS

The carrying value of the primary financial instruments of the Foundation approximates fair value.

9. YEAR 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Foundation, including those related to the efforts of patients, suppliers, or other third parties, will be fully resolved.

10. COMPARATIVE FIGURES

Certain of the comparative figures have been reclassified from those previously presented to conform to the presentation adopted in 1999.

NEWFOUNDLAND CROP INSURANCE AGENCY

NEWFOUNDLAND CROP INSURANCE FUND

FINANCIAL STATEMENTS

31 MARCH 1998

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Board of Directors of the
Newfoundland Crop Insurance Agency
St. John's, Newfoundland

I have audited the balance sheet of the Newfoundland Crop Insurance Agency, Newfoundland Crop Insurance Fund as at 31 March 1998 and the statement of revenue, expenditure and deficit for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Newfoundland Crop Insurance Agency, Newfoundland Crop Insurance Fund as at 31 March 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
5 June 1998

NEWFOUNDLAND CROP INSURANCE AGENCY

NEWFOUNDLAND CROP INSURANCE FUND

BALANCE SHEET

31 MARCH 1998

	1998	1997
ASSETS		
Current		
Cash	$ 9,287	$ 34,571
Accounts receivable (Note 2)	3,401	2,915
	$ 12,688	$ 37,486
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 3)	$ 3,242	$ 1,700
Equity		
Contributions - Province of Newfoundland	205,000	205,000
Deficit	(195,554)	(169,214)
	9,446	35,786
	$ 12,688	$ 37,486

See accompanying notes

Signed on behalf of the Board: Chairperson

Edward Butt
Director

NEWFOUNDLAND CROP INSURANCE AGENCY

NEWFOUNDLAND CROP INSURANCE FUND

STATEMENT OF REVENUE, EXPENDITURE AND DEFICIT

FOR THE YEAR ENDED 31 MARCH 1998

	1998	1997
REVENUE		
Province of Newfoundland		
Premium contributions (Note 4)	$ 50,737	$ 28,829
Payments on behalf of the Agency for administration (Note 5)	78,099	182,986
	128,836	211,815
Premiums from insured persons	16,912	9,586
Interest	1,181	1,250
	146,929	222,651
EXPENDITURE		
Administration (Note 4)		
Professional services	2,540	1,915
Property, furnishings and equipment	-	20,664
Purchased services	4,827	4,887
Salaries and benefits	51,017	141,557
Supplies	1,893	3,299
Transportation and communication	17,821	10,664
	78,098	182,986
Bank service charge	2	23
Indemnity claims	95,169	41,724
	173,269	224,733
Excess of expenditure over revenue	(26,340)	(2,082)
Deficit, beginning of year	(169,214)	(167,132)
Deficit, end of year	$(195,554)	$(169,214)

See accompanying notes

NEWFOUNDLAND CROP INSURANCE AGENCY

NEWFOUNDLAND CROP INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

Authority

The Newfoundland Crop Insurance Agency (the Agency) operates under the authority of the Crop Insurance Act. The purpose of the Agency is to operate the Newfoundland Crop Insurance Fund to provide insurance to Newfoundland farmers to restrict the amount of financial loss due to crop failure. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Newfoundland Crop Insurance Fund.

1. Significant accounting policies

These financial statements have been prepared by the Agency in accordance with generally accepted accounting principles. Outlined below is the significant accounting policy followed.

Capital assets

All capital assets are charged to expenditure in the year of acquisition.

2. Accounts receivable

	1998	1997
Province of Newfoundland	**$1,700**	$1,700
Premiums from insured persons	**3,631**	3,144
	5,331	4,844
Less: allowance for doubtful accounts	**1,930**	1,929
	$3,401	$2,915

3. Accounts payable and accrued liabilities

	1998	1997
Province of Newfoundland	**$2,857**	$ 1,700
Other	**385**	-
	$3,242	$ 1,700

4. Premium contributions and administration expenditures

The Province of Newfoundland recovers 40% of its total premium contributions and 50% of administration expenditures under an agreement with the Government of Canada. These amounts, when recovered, are recorded by the Department of Forest Resources and Agrifoods as related revenue and are not reflected in these financial statements.

NEWFOUNDLAND CROP INSURANCE AGENCY

NEWFOUNDLAND CROP INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

5. Payments on behalf of the Agency for administration

Agency staff are employees of the Department of Forest Resources and Agrifoods. Salaries and other costs applicable to the operation of the Agency have been paid by the Department and are reflected in these financial statements as expenses of the Agency and as revenue in the form of payment made by the Province on behalf of the Agency.

6. Economic dependence

As a result of the Agency's reliance on provincial funding to meet its operating costs, the Agency's ability to continue viable operations is dependent upon continued funding from the Province.

7. Financial instruments

The Agency's financial instruments recognized in the balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities, the carrying values of which approximate fair value due to the short-term maturity associated with these instruments.

8. Income taxes

The Agency is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

NEWFOUNDLAND CROP INSURANCE AGENCY

NEWFOUNDLAND CROP INSURANCE FUND

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Board of Directors of the
Newfoundland Crop Insurance Agency
St. John's, Newfoundland

I have audited the balance sheet of the Newfoundland Crop Insurance Agency, Newfoundland Crop Insurance Fund as at 31 March 1999 and the statement of revenue, expenditure and deficit for the year then ended. These financial statements are the responsibility of the Agency's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Newfoundland Crop Insurance Agency, Newfoundland Crop Insurance Fund as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
15 June 1999

NEWFOUNDLAND CROP INSURANCE AGENCY

NEWFOUNDLAND CROP INSURANCE FUND

BALANCE SHEET

31 MARCH 1999

	1999	1998
ASSETS		
Current		
Cash	$ 16,128	$ 9,287
Accounts receivable (Note 2)	3,370	3,401
	$ 19,498	$ 12,688
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities (Note 3)	$ 10,843	$ 3,242
Equity		
Contributions - Province of Newfoundland	205,000	205,000
Deficit	(196,345)	(195,554)
	8,655	9,446
	$ 19,498	$ 12,688

See accompanying notes

Signed on behalf of the Board:

Chairperson

Director

NEWFOUNDLAND CROP INSURANCE AGENCY

NEWFOUNDLAND CROP INSURANCE FUND

STATEMENT OF REVENUE, EXPENDITURE AND DEFICIT

FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
REVENUE		
Province of Newfoundland		
Premium contributions (Note 4)	$ 103,808	$ 50,738
Contributions to deficit	19,692	-
Payments on behalf of the Agency for administration (Note 5)	79,391	78,098
	202,891	128,836
Premiums from insured persons	10,097	16,912
Interest	345	1,181
	213,333	146,929
EXPENDITURE		
Administration (Note 5)		
Professional services	2,106	2,540
Purchased services	5,212	4,827
Salaries and benefits	53,072	51,017
Supplies	2,418	1,893
Transportation and communication	16,583	17,821
	79,391	78,098
Bank service charge	4	2
Indemnity claims	134,729	95,169
	214,124	173,269
Excess of expenditure over revenue	(791)	(26,340)
Deficit, beginning of year	(195,554)	(169,214)
Deficit, end of year	$(196,345)	$(195,554)

See accompanying notes

NEWFOUNDLAND CROP INSURANCE AGENCY

NEWFOUNDLAND CROP INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

The Newfoundland Crop Insurance Agency (the Agency) operates under the authority of the Crop Insurance Act. The purpose of the Agency is to operate the Newfoundland Crop Insurance Fund to provide insurance to Newfoundland farmers to restrict the amount of financial loss due to crop failure. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. These statements are a representation of the activities of the Newfoundland Crop Insurance Fund.

1. Significant accounting policies

These financial statements have been prepared by the Agency in accordance with generally accepted accounting principles. Outlined below is the significant accounting policy followed.

Capital assets

All capital assets are charged to expenditure in the year of acquisition.

2. Accounts receivable

	1999	1998
Province of Newfoundland	$1,200	$1,700
Premiums from insured persons	4,100	3,631
	5,300	5,331
Less: allowance for doubtful accounts	1,930	1,930
	$3,370	$3,401

3. Accounts payable and accrued liabilities

	1999	1998
Province of Newfoundland	$ 2,357	$2,857
Other	8,486	385
	$10,843	$3,242

4. Premium contributions and administration expenditures

The Province of Newfoundland recovers 60% of premiums for Tier 1 coverage, 30% of premiums for Tier 2 coverage and 50% of administration expenditures under an agreement with the Government of Canada. These amounts, when recovered, are recorded by the Department of Forest Resources and Agrifoods as related revenue and are not reflected in these financial statements.

NEWFOUNDLAND CROP INSURANCE AGENCY

NEWFOUNDLAND CROP INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

5. Payments on behalf of the Agency for administration

Agency staff are employees of the Department of Forest Resources and Agrifoods. Salaries and other costs of $79,391 (1998 - $78,098) applicable to the operation of the Agency have been paid by the Department and are reflected in these financial statements as expenses of the Agency and as revenue in the form of payment made by the Province on behalf of the Agency.

6. Economic dependence

As a result of the Agency's reliance on provincial funding to meet its operating costs, the Agency's ability to continue viable operations is dependent upon continued funding from the Province.

7. Financial instruments

The Agency's financial instruments recognized in the balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities, the carrying values of which approximate fair value due to the short-term maturity associated with these instruments.

8. Income taxes

The Agency is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Newfoundland Farm Products Corporation Financial Statements

March 31, 1999

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Grant Thornton

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Auditors' Report

To His Honour The Lieutenant-Governor in Council

We have audited the balance sheet of Newfoundland Farm Products Corporation as at March 31, 1999 and the statements of loss and deficit and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

St. John's, Newfoundland
September 3, 1999

Grant Thornton
Chartered Accountants

P.O. Box 8037
ICON Building
187 Kenmount Road
St. John's
Newfoundland
A1B 3M7
Tel: (709) 722-5960
Fax: (709) 722-7892

Newfoundland Farm Products Corporation
Statements of Loss and Deficit

For the Year Ended March 31
(With comparative figures for the fifty-two weeks ended March 28)

	1999	1998
Sales		$ 17,610,668
Cost of sales		
Finished goods, beginning of year		1,142,849
Cost of goods processed		17,391,136
		18,533,985
Gross loss		(923,317)
Other income	$ 30,666	181,353
	30,666	(741,964)
Expenses		
Selling and delivery		1,278,884
Administrative	142,122	1,196,181
Other (Note 11)	52,624	464,151
	194,746	2,939,216
Operating loss before operating grant and recoveries	(164,080)	(3,681,180)
Province of Newfoundland - operating grant		3,313,849
Province of Newfoundland - accrued severance and vacation pay recovery		1,353,509
Integrated Poultry Limited - recovery under joint operating agreement		961,457
		5,628,815
Excess of operating grant and recoveries over operating loss	(164,080)	1,947,635
Loss on disposal of shares acquired on divestiture (net of special contribution from Province of Newfoundland of $8,500,000)		(2,786,555)
Net loss	$ (164,080)	$ (838,920)
Deficit, beginning of year	$ (9,977,408)	$ (9,138,488)
Net loss	(164,080)	(838,920)
Deficit, end of year	$ (10,141,488)	$ (9,977,408)

See accompanying notes to the financial statements.

Newfoundland Farm Products Corporation
Balance Sheet

March 31
(With comparative figures as at March 28)

	1999	1998
Assets		
Current		
Cash	$ 636,816	
Receivables (Note 5)	422,798	$ 2,075,001
Inventories	141,870	141,870
	1,201,484	2,216,871
Long term receivables (Note 6)	1,175,079	450,527
Property and equipment (Note 7)	46,653	55,963
	$ 2,423,216	$ 2,723,361
Liabilities		
Current		
Bank indebtedness (Note 8)		$ 10,240,209
Payables and accruals	$ 33,446	621,072
Deferred grant	500,000	
Current portion of long term debt	5,662	8,230
	539,108	10,869,511
Long term debt (Note 9)		5,662
	539,108	10,875,173
Surplus (Deficiency)		
Contributed surplus	12,025,596	1,825,596
Deficit	(10,141,488)	(9,977,408)
	1,884,108	(8,151,812)
	$ 2,423,216	$ 2,723,361

On behalf of the Board

__________ Director __________ Chairperson

See accompanying notes to the financial statements.

Newfoundland Farm Products Corporation
Statement of Cash Flow

For the Year Ended March 31
(With comparative figures for the fifty-two weeks ended March 28)

	1999	1998
Cash derived from (applied to)		
Operating		
Net loss	$ (164,080)	$ (838,920)
Depreciation	9,310	363,292
Loss on disposal of shares acquired on divestiture		2,786,555
	(154,770)	2,310,927
Change in non-cash operating working capital (Note 10)	1,564,577	(4,691,157)
	1,409,807	(2,380,230)
Financing		
Repayment on long term debt	(8,230)	(161,370)
Investing		
(Increase) decrease in long term receivable	(724,552)	972,885
Purchase of property and equipment		(99,299)
Divestiture of St. John's operations		11,286,554
Shares acquired on divestiture		(11,286,554)
Equity investment by Province of Newfoundland	10,200,000	
	9,475,448	873,586
Net increase (decrease) in cash	10,877,025	(1,668,014)
Cash (bank indebtedness)		
Beginning of year	(10,240,209)	(8,572,195)
End of year	$ 636,816	$(10,240,209)

See accompanying notes to the financial statements.

Newfoundland Farm Products Corporation
Notes to the Financial Statements
March 31, 1999

1. Nature of operations

The Corporation is a Provincial Crown Corporation which operates under the authority of the Farm Products Corporation Act and reports on its operations to the Lieutenant-Governor in Council.

The Corporation is dependent upon the Government of Newfoundland and Labrador to fund its annual operating losses and provide support for its borrowings. During the year the Corporation received an operating grant of $500,000 (1998 - $3,313,849). This operating grant has been earmarked towards divestiture and operating activities of the Corner Brook plant beyond April 1, 1999, and as such has been recorded as a deferred grant.

2. Closure of Corner Brook poultry operations

On April 30, 1997, the Provincial Government discontinued processing and subsequently closed the Corporation's Corner Brook poultry plant. It is Government's stated intention to seek an alternate use for this plant. As the divestiture process for the Corner Brook assets is still in progress, the adjustments, if any, which may be required to the carrying value of these assets cannot be determined at this time. Termination benefits have been provided to all Corner Brook employees affected by the plant closure.

3. Divestiture of St. John's Poultry operations

Effective October 4, 1997, negotiations were completed by the Provincial Government and Newfoundland Farm Products Corporation to divest of the Corporation's St. John's poultry operations including certain related assets. The divestiture was facilitated through the execution of an Agreement of Purchase and Sale, wherein the purchased assets were conveyed from the Corporation to IPL Processing Limited for consideration which included common shares that were subject to an irrevocable option to purchase granted by the Corporation to Integrated Poultry Limited.

Details of the divested assets and consideration received are as follows:

Divested assets	
Note receivable	$ 8,500,000
Inventory	
Finished goods and work in progress	983,819
Packaging and raw materials	393,992
Operating supplies	573,800
Prepaids	64,312
Property and equipment	2,805,029
	13,320,952
Consideration	
Assumption of debt	656,585
Notes receivable	1,377,812
	2,034,397
1,000 common shares of purchaser	$ 11,286,555

3. Divestiture of St. John's Poultry operations (cont'd.)

Then on October 5, 1997, Newfoundland Farm Products Corporation entered into a Share Purchase Agreement to sell, assign and transfer all of the issued and outstanding shares of IPL Processing Limited to Integrated Poultry Limited for the purchase price of $1. The loss on disposal of the shares acquired through the sale of assets in the amount of $11,286,555 was reflected in year ended March 28, 1998. Offsetting this loss was a special contribution from the Province of Newfoundland of $8,500,000, leaving a net loss on disposal of $2,786,555.

As part of the divestiture process, the Corporation entered into a joint operating agreement with Integrated Poultry Limited whereby all losses (as defined) of the St. John's poultry operation for the period June 17, 1997 to October 4, 1997 would be the responsibility of Integrated Poultry Limited. The recovery of those losses, which was calculated at $961,457, was recorded in the year ended March 28, 1998.

4. Summary of significant accounting policies

Operating grants

Operating grants received from the Province of Newfoundland are normally treated as a reduction of the operating loss for the year. As the grant of $500,000 received during the year was earmarked towards divestiture and operating activities of the Corner Brook plant beyond April 1, 1999, it has been recorded as a deferred grant.

Capital grants

Capital grants are recorded as a reduction of the cost of the assets acquired during the year. Unexpended capital grants are recorded as appropriated surplus.

Depreciation

Rates and bases of depreciation applied to write-off the cost of property and equipment over their estimated lives are as follows:

Buildings	5%, declining balance
Machinery and equipment	20%, declining balance and units of production
Office furniture and equipment	20%, declining balance
Vehicles	30%, declining balance
Equipment under capital lease	
Processing	Units of production
Computer	20%, declining balance

Operating assets

The Province of Newfoundland retains ownership of several buildings used by the Corporation. The Province does not charge rent for the use of these assets.

4. Summary of significant accounting policies (cont'd.)

Inventories

Inventories of materials and supplies are carried at cost.

Income taxes

The Corporation is a crown entity and as such is not subject to either federal or provincial income taxes.

5. Receivables

	1999	1998
Trade	$ 14,753	$ 143,745
Current portion of long term receivables	389,160	1,122,750
Other	18,885	808,506
	$ 422,798	$ 2,075,001

6. Long term receivables

	1999	1998
Note receivable, non-interest bearing, repayable in twelve equal monthly instalments commencing January 2000.	$ 1,526,239	$ 1,527,677
8% mortgage, repayable in equal annual instalments of $7,600 plus interest to 2003.	38,000	45,600
	1,564,239	1,573,277
Less: current portion	389,160	(1,122,750)
	$ 1,175,079	$ 450,527

The Province of Newfoundland and Newfoundland Farm Products Corporation agreed to restructure the repayment terms on the note receivable. Repayments were originally due to commence in January 1999 but have been restructured to commence in January 2000.

The amount ultimately recoverable on the note receivable is dependent upon the future success of the new poultry operation.

7. Property and equipment

	Cost	Contributed Assets	Accumulated Depreciation	1999 Net Book Value	1998 Net Book Value
Land	$ 209,408	$ 209,407		$ 1	$ 1
Buildings	2,626,962	2,605,971	$ 4,282	16,709	17,589
Machinery equipment	1,625,015	1,479,034	138,095	7,886	9,857
Office furniture and equipment	13,544	3,910	9,462	172	215
Vehicles	88,139	3,331	79,521	5,287	7,553
Equipment under capital lease					
Processing Computer	42,753		26,155	16,598	20,748
	$4,605,821	$4,301,653	$ 257,515	$ 46,653	$ 55,963

The above property and equipment represents assets entirely of the Corner Brook plant.

8. Bank indebtedness

	1999	1998
Demand loan		$ 10,200,000
Bank overdraft		40,209
	$ Nil	$ 10,240,209

Prior to the balance sheet date, the Government of Newfoundland and Labrador assumed the Corporation's debt in the amount of $10,200,000 to retire the demand loan. This assumption of debt has been recorded as contributed surplus in the accounts of the Corporation.

9. Long term debt

	1999	1998
Obligations under capital leases – Corner Brook	$ 5,662	$ 13,892
Less: current portion	5,662	8,230
	$ Nil	$ 5,662

10. Change in non-cash operating working capital	1999	1998
Receivables	$ 1,652,203	$ 1,123,867
Inventories		622,557
Prepaids		470,785
Payables and accruals	(587,626)	(5,884,038)
Accrued severance pay		(1,024,328)
Deferred grant	500,000	
	$ 1,564,577	$ (4,691,157)

11. Other expenses	1999	1998
Special leave with pay - Corner Brook plant		$ 297,051
Write down of materials and supplies inventory		167,100
Miscellaneous costs related to discontinued operations	$ 52,624	
	$ 52,624	$ 464,151

12. Corner Brook expenses

With the exception of depreciation, all expenditures related to the maintenance of the Corner Brook Facility, divestiture activities, completion of severance benefits and payments on the outstanding lease totalling $241,600 were funded by a budget appropriation in the Department of Forest Resources and Agrifoods. Expenditures for the year ended March 31, 2000 are to be funded by the deferred grant of $500,000.

NEWFOUNDLAND GOVERNMENT SINKING FUND

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Board of Trustees
Newfoundland Consolidated Sinking Funds
St. John's, Newfoundland

I have audited the balance sheet of the Newfoundland Government Sinking Fund as at 31 March 1999 and the statements of statutory contributions, retained earnings, revenue and expenditure, and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at 31 March 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
18 June 1999

NEWFOUNDLAND GOVERNMENT SINKING FUND

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31 MARCH 1999

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STATEMENT 1

NEWFOUNDLAND GOVERNMENT SINKING FUND

BALANCE SHEET

31 MARCH 1999

	1999 (000's)	1998 (000's)
ASSETS		
Current		
Cash	$ 4,166	$ 375
Term deposits and short-term investments, at cost	4,100	9,400
Interest and other receivables		
Province of Newfoundland - guaranteed	20,062	17,772
Other	2,761	2,652
	31,089	30,199
Investments, at amortized cost (Schedule 1)		
Cost	883,445	795,656
Accumulated amortization of discounts and premiums	106,172	107,351
	989,617	903,007
	$1,020,706	$933,206
LIABILITIES AND SINKING FUND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 14	$ 13
Due to Province of Newfoundland	30	14
	44	27
Sinking fund equity		
Statutory contributions (Statement 2)	517,785	477,978
Retained earnings (Statement 3)	502,877	455,201
	1,020,662	933,179
	$1,020,706	$933,206

See accompanying notes

Signed on behalf of the Board: ______________ **Chairperson** ______________ **Member**

NEWFOUNDLAND GOVERNMENT SINKING FUND

STATEMENT OF STATUTORY CONTRIBUTIONS

FOR THE YEAR ENDED 31 MARCH 1999

	1999 (000's)	1998 (000's)
Balance, beginning of year	**$477,978**	$460,570
Statutory contributions for the year	**45,013**	44,191
	522,991	504,761
Cumulative translation adjustment	**5,823**	1,991
Statutory contributions applicable to redeemed debentures	**(11,029)**	(28,774)
Balance, end of year	**$517,785**	$477,978

See accompanying notes

NEWFOUNDLAND GOVERNMENT SINKING FUND

STATEMENT OF RETAINED EARNINGS

FOR THE YEAR ENDED 31 MARCH 1999

	1999 (000's)	1998 (000's)
Balance, beginning of year	$455,201	$422,627
Excess of revenue over expenditure	79,651	78,934
	534,852	501,561
Cumulative translation adjustment	2,913	1,024
Retained earnings applicable to redeemed debentures	(34,888)	(47,384)
Balance, end of year	$502,877	$455,201

See accompanying notes

NEWFOUNDLAND GOVERNMENT SINKING FUND

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 1999

	1999 (000's)	1998 (000's)
REVENUE		
Interest income		
Debentures	$64,333	$59,793
Term deposits and short-term investments	480	464
Other	287	299
	65,100	60,556
Amortization of discounts and premiums	14,656	17,419
Gain on redemption and sale of investments	142	1,209
	79,898	79,184
EXPENDITURE		
Salaries and benefits	158	151
General	89	99
	247	250
Excess of revenue over expenditure	$79,651	$78,934

See accompanying notes

NEWFOUNDLAND GOVERNMENT SINKING FUND

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 1999

	1999 (000's)	1998 (000's)
Cash provided by (used in):		
Operating activities		
Excess of revenue over expenditure	$ 79,651	$ 78,934
Deduct non-cash items		
Amortization of discounts and premiums	14,656	17,419
Gain on redemption and sale of investments	142	1,209
	64,853	60,306
Change in non-cash working capital	(2,382)	(1,940)
	62,471	58,366
Investing activities		
Purchase of investments	(108,872)	(106,129)
Statutory contributions	45,013	44,191
Proceeds from redemption and sale of investments	45,455	77,185
Payments to redemption bank accounts	-	(31,515)
Payments of excess sinking funds to Province upon maturity of debentures	(9,295)	(11,606)
Payments of sinking funds to Province upon rollover of CPP loans	(1,827)	-
Payments on Canada Pension Plan loans	(34,795)	(33,037)
	(64,321)	(60,911)
Increase (decrease) in cash and cash equivalents during the year	(1,850)	(2,545)
Effect of currency translation adjustment	341	446
Cash and cash equivalents, beginning of year	9,775	11,874
Cash and cash equivalents, end of year	$ 8,266	$ 9,775
Cash and cash equivalents include:		
Cash	$ 4,166	$ 375
Term deposits and short-term investments	4,100	9,400
	$ 8,266	$ 9,775

See accompanying notes

NEWFOUNDLAND GOVERNMENT SINKING FUND

SCHEDULE OF INVESTMENTS

31 MARCH 1999

	1999		1998	
	Face Value or Par (000's)	**Amortized Cost (000's)**	Face Value or Par (000's)	Amortized Cost (000's)
Canadian				
Province of Newfoundland-guaranteed				
Province of Newfoundland	**$ 238,934**	**$258,975**	$ 205,301	$221,797
Newfoundland Municipal Financing Corporation	**209,678**	**211,028**	182,608	184,279
Newfoundland and Labrador Hydro	**10,226**	**10,249**	18,848	18,776
Coupons and residuals	**309,373**	**194,374**	302,065	177,599
	768,211	**674,626**	708,822	602,451
Government of Canada debentures	**737**	**737**	737	736
Other coupons and residuals	**91,090**	**64,510**	106,135	74,561
Other securities	**84,871**	**86,051**	89,746	91,120
	944,909	**825,924**	905,440	768,868
U.S.				
Province of Newfoundland-guaranteed				
Province of Newfoundland	**112,122**	**128,144**	93,406	106,106
Other securities	**34,851**	**35,549**	27,686	28,033
	146,973	**163,693**	121,092	134,139
Total investments	**$1,091,882**	**$989,617**	$1,026,532	$903,007

See accompanying notes

NEWFOUNDLAND GOVERNMENT SINKING FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

The Province of Newfoundland issues debentures, most of which have sinking fund requirements. For debentures which have sinking fund requirements, the Province makes the required sinking fund payments (statutory contributions) to the Board of Trustees of the Newfoundland Consolidated Sinking Funds. This is an unincorporated body formed under The Financial Administration Act. All members of the Board are full-time employees of the Province and are appointed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Trustee in accordance with generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Investment transactions

(i)	Purchases:	Investments are initially recorded at cost.
(ii)	Amortization:	Discounts and premiums are amortized on a straight-line basis from the date of purchase until maturity.
(iii)	Sales:	Sales of investments to the Province are at a negotiated (non-market) selling price. When sales to the Province take place, a gain is recorded equal to the sale proceeds less the investment's average amortized cost.
(iv)	Redemptions:	On occasion, investments held in the Fund will be called for redemption by the issuer. In such instances, a gain is recorded equal to the redemption proceeds less the investment's average amortized cost.

(b) Maturity of a Province of Newfoundland debenture issue for which a sinking fund has been provided

(i) General

Provision is made for redemption at debenture maturity by investing statutory contributions in interest bearing securities and other investments. Both the contributions and the interest are used to pay debenture holders when debentures mature.

1. Significant accounting policies (cont.)

(b) (i) General (cont.)

A record is maintained of statutory contributions received on account of each issue and of income allocated to each issue (retained earnings). The dollar total of an issue's statutory contributions and allocated income is called its Sinking Fund Value.

At maturity, statutory contributions are reduced by the total amount of statutory contributions received over the life of the issue. Retained earnings are reduced by the excess of the debenture's Sinking Fund Value over statutory contributions received.

(ii) Cash flow

At maturity, cash is paid into a redemption bank account in an amount equal to the lesser of the total face value of the issue or the Sinking Fund Value of the issue, less the face value of the issue held in the Fund. If the issue's Sinking Fund Value exceeds the total face value, the excess is paid to the Consolidated Revenue Fund of the Province of Newfoundland. If the issue's Sinking Fund Value is less than the total face value, the difference is paid into the redemption bank account by the Province.

Commencing March 1999, the Province of Newfoundland has an option, pursuant to amendments to the Canada Pension Plan enacted by the Canada Pension Plan Investment Board Act, to refinance for a final twenty year term maturing Canada Pension Plan borrowings, provided sufficient monies are available in the Canada Pension Plan Investment Fund. Government has directed that upon maturity of the debentures securing CPP borrowings, related sinking funds are to be cancelled and the monies paid into the Consolidated Revenue Fund of the Province. During the fiscal year 1 April 1999 to 31 March 2000, $40.070 million in sinking funds will be cancelled and paid into the Consolidated Revenue Fund as a result of this change.

(c) Interest income

Interest income is recorded on an accrual basis.

(d) Foreign exchange translation

Assets, liabilities, revenues and expenditures denominated in U.S. currency are translated as follows:

(i) assets and liabilities are translated at the rate of exchange in effect at the balance sheet date; and

(ii) revenues and expenditures are translated at the rate of exchange in effect on the dates on which such items are recognized in income during the year, or an average of such.

NEWFOUNDLAND GOVERNMENT SINKING FUND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

1. Significant accounting policies (cont.)

(d) Foreign exchange translation (cont.)

Cumulative translation adjustments arising from the translation of U.S. amounts in the financial statements are deferred and shown as separate components of the sinking fund equity. These gains or losses are unrealized and it is intended that they shall remain so since it is not the intention of the Sinking Fund that these U.S. funds shall ever actually be converted to Canadian dollars.

2. Financial instruments

The financial instruments recognized in the Balance Sheet consist of cash, short-term investments, accounts receivable, and accounts payable, the carrying values of which approximate fair value due to the short-term maturity associated with these instruments.

3. Related party transactions

The Newfoundland Government Sinking Fund and the Province absorb all the operating costs, with the exception of banking and custodial fees, of the Newfoundland Municipal Financing Corporation Sinking Fund, which is administered by the same Board as the Newfoundland Government Sinking Fund.

4. Income taxes

The Newfoundland Government Sinking Fund is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

5. Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or other third parties, will be fully resolved, however during the 1997-98 fiscal year, the entity purchased computer hardware expected to support software applications for the Year 2000 and beyond. As well, during the same period the entity purchased ACCPAC software, assured by the manufacturer to be Year 2000 compliant. Testing has been performed internally on other software applications in use to determine compliancy.

NEWFOUNDLAND HARDWOODS LIMITED

Auditor's Report

Financial Statements

Year ended March 31, 1999

AUDITOR'S REPORT

To the Shareholders of Newfoundland Hardwoods Limited:

I have audited the balance sheet of Newfoundland Hardwoods Limited as at March 31, 1999 and the statements of income and retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the company's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these statements present fairly, in all material respects, the financial position of the company as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

CHARTERED ACCOUNTANT

Clarenville, Newfoundland
June 09, 1999

NEWFOUNDLAND HARDWOODS LIMITED

Balance Sheet

March 31, 1999

	1999	1998
Assets		
Current assets:		
Cash and term deposits	$ 775,730	192,825
Receivables - other	49	484,823
Total current assets	775,779	677,648
Contingent gains (Note 2)	-	-
	$ 775,779	677,648
Liabilities and Shareholders' Equity		
Current liabilities:		
Payables and accruals	$ 54,000	55,886
Total current liabilities	54,000	55,886
Contingent losses (Note 2)	-	-
Commitments (Note 3)	-	-
Shareholders' equity:		
Common shares of no par value. Authorized: an unlimited number, issued and fully paid at stated value, 253 shares	25,300	25,300
Retained earnings, per accompanying statement	696,479	596,462
Total shareholders' equity	721,779	621,762
	$ 775,779	677,648

See Accompanying Notes

Approved: ______________ Director

______________ Director

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Income and Retained Earnings

Year ended March 31, 1999

	1999	1998
Revenue (Note 4)	$ 134,042	95,847
Administrative expenses:		
Interest and bank charges	5	1
Professional and consulting fees	10,862	40,687
Stationery and office supplies	50	60
	10,917	40,748
Net income	123,125	55,099
Retained earnings, beginning of year:	596,462	580,189
	719,587	635,288
Dividends paid during year	(23,108)	(38,826)
Retained earnings, end of year	$ 696,479	596,462

NEWFOUNDLAND HARDWOODS LIMITED

Statement of Changes in Financial Position

Year ended March 31, 1999

	1999	1998
Cash provided from (applied to):		
Operations:		
Net income	$ 123,125	55,099
Changes in:		
Receivables	484,774	(54,943)
Payables and accruals	(1,886)	(70,900)
	606,013	(70,744)
Financing:		
Payment of dividends	(23,108)	(38,826)
Net cash provided (applied)	582,905	(109,570)
Cash:		
Beginning of year	192,825	302,395
End of year	$ 775,730	192,825

See Accompanying Notes

NEWFOUNDLAND HARDWOODS LIMITED

Notes to the Financial Statements

March 31, 1999

1. Divestiture:

During the 1996 fiscal year the company sold the capital assets and inventory relating to its wood preservation and asphalt manufacturing operations to IPB - WPI International Limited and Newfoundland and Labrador Asphalt Limited respectively. The Company has consequently ceased commercial operations and the results of the divestiture to the balance sheet date are reflected in these financial statements.

2. Contingent gains and losses:

Gains:

In addition to a lump sum amount for capital assets, IPB - WPI International Limited agreed to pay 10 percent of its net income before income taxes to the vendor for each of the fiscal years 1996 to 2000. Since the fiscal year ends of both the company and IPB - WPI International Limited are different, these payments are being recorded in the financial statements when received.

Losses:

Environmental concerns

The Government of Newfoundland and Labrador, through an environmental indemnity provided to IPB - WPI International Limited and Newfoundland and Labrador Asphalt Limited, has released the purchasers of any and all present and future liabilities which may result from the presence, release, loss, discharge, leakage or spillage of hazardous material on, at or from the properties formerly owned and operated by Newfoundland Hardwoods Limited up to the date of the said agreements.

3. Commitments:

The company has committed to the dismantling and removal of five surplus storage tanks from the present location. As of the balance sheet date the company is still evaluating the various options available in this regard.

4. Other income:

	1999	1998
Gain on wind-up of pension plan	$ 96,744	81,928
Interest income	14,189	4,679
Miscellaneous	23,109	9,240
	$ 134,042	95,847

Deloitte & Touche

NEWFOUNDLAND LIQUOR CORPORATION

REPORT AND FINANCIAL STATEMENTS

MARCH 31, 1999

Deloitte & Touche

Deloitte & Touche LLP
Fort William Building
10 Factory Lane
St. John's, Newfoundland
A1C 6H5

Telephone: (709) 576-8480
Facsimile: (709) 576-8460

AUDITORS' REPORT

The Board of Directors,
Newfoundland Liquor Corporation

We have audited the balance sheet of the Newfoundland Liquor Corporation as at March 31, 1999 and the statements of income, retained earnings and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Deloitte + Touche LLP
Deloitte & Touche LLP

St. John's, Newfoundland,
July 22, 1999.

NEWFOUNDLAND LIQUOR CORPORATION

BALANCE SHEET AS AT MARCH 31, 1999

	1999	1998
ASSETS		
Current		
Cash	$ 16,405,051	$ 7,713,128
Accounts receivable	2,108,815	3,288,410
Beer commissions receivable	4,068,243	3,940,673
Inventories, at cost (Note 2)	19,876,587	17,865,997
Prepaid expenses	452,820	1,390,661
	42,911,516	34,198,869
Capital assets (Note 3)	3,328,098	3,492,645
Leased assets (Note 4)	134,850	153,090
	$ 46,374,464	$ 37,844,604
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 11,474,342	$ 9,721,181
Accrued vacation pay	387,098	361,683
Current portion of long term debt (Note 6)	100,000	200,000
	11,961,440	10,282,864
Accrued severance pay	1,689,814	1,523,306
Long term debt (Note 6)	400,000	500,000
	14,051,254	12,306,170
EQUITY		
Retained earnings	32,323,210	25,538,434
	$ 46,374,464	$ 37,844,604

ON BEHALF OF THE BOARD:

PRESIDENT

CHAIRMAN OF THE BOARD

See accompanying notes to financial statements.

NEWFOUNDLAND LIQUOR CORPORATION

STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED MARCH 31, 1999

	1999	1998
Balance, beginning of the year	$ 25,538,434	$ 20,976,009
Net income for the year	87,184,776	85,762,425
	112,723,210	106,738,434
Payments to the Province of Newfoundland	80,400,000	81,200,000
Balance, end of the year	$ 32,323,210	$ 25,538,434

See accompanying notes to financial statements.

NEWFOUNDLAND LIQUOR CORPORATION

STATEMENT OF INCOME
FOR THE YEAR ENDED MARCH 31, 1999

	1999	1998
Sales	$ 97,280,281	$ 96,021,660
Cost of goods sold		
Inventory, beginning of the year	17,865,997	16,850,665
Purchases	41,447,780	39,640,605
Cost of goods available for sale	59,313,777	56,491,270
Less: Inventory, end of the year	19,876,587	17,865,997
	39,437,190	38,625,273
Gross profit	57,843,091	57,396,387
Commission revenue on sale of beer	41,739,902	40,592,605
Other income		
Commission on licensee purchases	2,453,842	2,383,986
Interest	940,732	512,386
Miscellaneous	363,357	263,550
	3,757,931	3,159,922
Income from operations	103,340,924	101,148,914
Administrative and operating expenses (Schedule 1)	16,156,148	15,386,489
Net income for the year	$ 87,184,776	$ 85,762,425

See accompanying notes to financial statements.

NEWFOUNDLAND LIQUOR CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION
FOR THE YEAR ENDED MARCH 31, 1999

	1999	1998
Operating activities		
Net income for the year	$ 87,184,776	$ 85,762,425
Items not requiring cash		
Amortization	515,091	571,437
Loss (gain) on disposal of capital assets	(11,152)	2,496
	87,688,715	86,336,358
Net change in non-cash working capital	1,757,851	(4,442,806)
Accrual for severance pay	166,508	(111,292)
	89,613,074	81,782,260
Investing activities		
Proceeds on sale of capital assets	11,823	4,913
Purchase of / additions to capital assets	(332,974)	(170,465)
	(321,151)	(165,552)
Financing activities		
Payments to the Province of Newfoundland	(80,400,000)	(81,200,000)
Decrease in obligation under capital lease	-	(15,458)
Decrease in long term debt	(200,000)	(200,000)
	(80,600,000)	(81,415,458)
Increase in cash for the year	8,691,923	201,250
Cash, beginning of the year	7,713,128	7,511,878
Cash, end of the year	$ 16,405,051	$ 7,713,128

See accompanying notes to financial statements.

NEWFOUNDLAND LIQUOR CORPORATION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999

1. Accounting policies

a. Inventories

Inventories are valued at actual landed cost including freight and federal taxes.

b. Capital assets

Capital assets are recorded at cost. Amortization is recorded over the expected useful life of the asset on a straight line basis as follows:

Buildings	20 years
Store equipment and fixtures	5 years
Motor vehicles	3 years
Office furniture and equipment	5 years and 10 years
Plant and warehouse equipment	3 years and 5 years

c. Leased assets

Leased assets are amortized over the terms of the leases on a straight line basis as follows:

Leasehold improvements	1 to 20 years
Leased land	30 years
Equipment	5 1/2 years

Leasehold improvements made to head office premises are expensed in the year incurred.

d. Severance pay

A liability for severance pay is recorded in the accounts for all employees who have a vested right to receive such payment. No provision for severance pay liability is made for employees who have less than nine years of continual service.

NEWFOUNDLAND LIQUOR CORPORATION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999

2. Inventories

	1999	1998
Head office	$ 6,047,288	$ 6,688,781
Branch stores	5,917,954	6,189,567
Stock in transit	4,547,073	1,699,229
Raw materials	881,996	1,050,992
Finished goods	2,482,276	2,201,890
Work in progress	-	35,538
	$19,876,587	$17,865,997

3. Capital assets

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land	$ 1,136,841	$ -	$ 1,136,841	$ 1,136,841
Buildings	4,869,982	3,266,043	1,603,939	1,821,581
Store equipment and fixtures	1,176,245	1,132,888	43,357	35,081
Motor vehicles	140,361	114,369	25,992	19,459
Office furniture and equipment	1,705,421	1,449,042	256,379	279,939
Plant and warehouse equipment	2,371,875	2,110,285	261,590	199,744
	$ 11,400,725	$ 8,072,627	$ 3,328,098	$ 3,492,645

4. Leased assets

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Leasehold improvements	$ 4,132,996	$ 4,097,593	$ 35,403	$ 43,709
Leased land	248,925	150,218	98,707	107,071
Equipment	119,100	118,360	740	2,310
	$ 4,501,021	$ 4,366,171	$ 134,850	$ 153,090

NEWFOUNDLAND LIQUOR CORPORATION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999

5. Lease commitments

The Corporation has entered into rental leases covering retail outlets. Annual lease obligations for the next 5 years are as follows:

2000	$ 680,750
2001	576,660
2002	389,220
2003	337,860
2004	179,102
	$ 2,163,592

6. Long term debt

	1999	1998
11 7/20% debenture, issued to Brant Investments and held by National Trust Company Limited, repayable in annual principal instalments of $100,000	$ 500,000	$ 600,000
10 3/4% debenture, issued to Brant Investments and held by Royal Trust Company, repaid during the year	-	100,000
	500,000	700,000
Less: current portion	100,000	200,000
	$ 400,000	$ 500,000

These debentures are guaranteed unconditionally, as to principal and interest, by the Province of Newfoundland.

NEWFOUNDLAND LIQUOR CORPORATION

NOTES TO FINANCIAL STATEMENTS
MARCH 31, 1999

7. Related party transactions

The Corporation is leasing office and warehouse space in St. John's from the Department of Works, Services and Transportation. These leases are rent free; however, all operating and maintenance costs related to the buildings are the responsibility of the Corporation.

8. Pensions

The Corporation and its employees are subject to the Public Service Pensions Act effective June 26, 1973. Pension contributions deducted from employees' salaries are matched by the Corporation and then remitted to the Province of Newfoundland Pooled Pension Fund from which pensions will be paid to employees when they retire. The Corporation's share of pension expense for the year is $379,549 (1998 - $347,215).

9. Year 2000 issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

SCHEDULE 1

NEWFOUNDLAND LIQUOR CORPORATION

SCHEDULE OF ADMINISTRATIVE AND OPERATING EXPENSES FOR THE YEAR ENDED MARCH 31, 1999

	1999	1998
Salaries and employee benefits	$ 8,772,066	$ 8,075,202
Agency store commission and expenses	2,876,240	2,932,976
Rent	835,809	857,636
Marketing	453,991	502,807
Amortization on capital assets	388,851	421,925
Interest and bank charges	361,787	334,675
Freight to stores	247,542	253,511
Heat and light	239,590	262,011
Repairs and maintenance	215,341	194,973
Cleaning	153,856	148,156
Stationery and office supplies	144,050	153,218
Communications	138,363	151,116
Inventory breakage and shortage	121,369	110,211
Professional fees	118,712	79,593
Security	116,403	110,045
Travel	109,230	101,598
Municipal tax	108,032	104,852
Store supplies and wrapping	107,053	94,685
Uniforms	101,429	14,098
Staff training	84,385	39,438
Interest on long term debt	72,641	92,057
Consulting fees	64,164	36,660
Directors' fees and expenses	58,191	25,888
Postage	49,104	44,300
Insurance	47,701	47,254
Advertising	41,190	48,520
Amortization on leased assets	39,845	68,445
Miscellaneous	38,630	22,057
Dues and subscriptions	24,427	24,504
Staff recruitment	18,867	13,989
Motor vehicle	17,697	15,571
Bad debts	744	2,022
Loss (gain) on disposal of capital assets	(11,152)	2,496
Total	$ 16,156,148	$ 15,386,489

NEWFOUNDLAND MEDICAL CARE COMMISSION

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Members of the
Newfoundland Medical Care Commission
St. John's, Newfoundland

I have audited the balance sheet of the Newfoundland Medical Care Commission as at 31 March 1999 and the statement of revenue and expenditure for the year then ended. These financial statements are the responsibility of the Commission's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Commission as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
25 June 1999

NEWFOUNDLAND MEDICAL CARE COMMISSION

BALANCE SHEET

31 MARCH 1999

	1999	1998
ASSETS		
Current		
Cash	$ 1,176,411	$ 581,826
Due from Province of Newfoundland (Note 2)	22,873,373	18,237,479
Accounts receivable	635,096	968,625
Prepaid expenses	48,399	38,023
	24,733,279	19,825,953
Capital assets (Note 3)	-	-
	$24,733,279	$19,825,953
LIABILITIES		
Current		
Accounts payable and accrued liabilities	$ 944,340	$ 885,085
Liability for presented and processed claims	13,144,522	11,331,020
Estimated liability for unpresented and unprocessed claims	5,693,460	6,838,685
Liability for salaried physicians	4,490,457	529,913
Liability for medical malpractice premium subsidy	460,500	241,250
	$24,733,279	$19,825,953

See accompanying notes

Signed on behalf of the Commission: ______________________ **Chairperson** ______________________ **Executive Director**

NEWFOUNDLAND MEDICAL CARE COMMISSION

STATEMENT OF REVENUE AND EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
REVENUE		
Province of Newfoundland	$170,409,464	$162,997,708
Interest income	263,172	203,328
Audit recoveries	120,770	39,623
Miscellaneous	69,866	107,877
	$170,863,272	$163,348,536
EXPENDITURE		
Administrative expenditure (Schedule 1)	$ 4,312,128	$ 4,214,211
Dental Health Plan	5,467,808	5,234,975
Insured services (Note 5)	124,952,391	119,463,703
Medical malpractice premium subsidy	1,894,434	965,904
Salaried physicians	34,236,511	33,469,743
	$170,863,272	$163,348,536

See accompanying notes

NEWFOUNDLAND MEDICAL CARE COMMISSION

SCHEDULE OF ADMINISTRATIVE EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
Audit fees	$ 9,000	$ 9,000
Bad debts	70,145	-
Cleaning	5,235	4,793
Commission fees	2,545	16,875
Computer costs (Note 6)	841,467	853,678
Consultant fees	99,942	152,909
Electricity	5,793	6,586
Furniture and equipment	150,520	61,708
Furniture and equipment maintenance	29,031	22,474
Interest and bank charges	6,020	6,014
Leasehold improvements	45,015	15,743
Microfilming	732	708
Miscellaneous	38,762	29,737
Office rental	270,900	288,515
Office supplies	49,037	60,153
Payroll tax	41,281	42,101
Postage and telephone	126,760	124,673
Salaries and benefits	2,492,312	2,492,709
Travel	27,631	25,835
	$4,312,128	$4,214,211

See accompanying notes

NEWFOUNDLAND MEDICAL CARE COMMISSION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

The Newfoundland Medical Care Commission (the Commission) operates under the authority of the Medical Care Insurance Act. It is responsible for the administration of medical and dental care insurance programs on behalf of the residents of Newfoundland and Labrador. Commission members are appointed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Commission in accordance with generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Capital assets

Capital assets are capitalized at cost at the time of acquisition and expensed in the year of acquisition.

(b) Severance pay

Severance pay is calculated based upon years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continuous service, and accordingly no provision has been made in the accounts for employees with less than nine years of continuous service. If the employee transfers to another entity within the public service, then the liability is transferred to that entity.

2. Due from Province of Newfoundland

In accordance with Section 27 of the Medical Care Insurance Act, the Province of Newfoundland is responsible for funding the expenditures incurred by the Commission in carrying out its powers, functions and duties. Accordingly, the amount due from the Province represents the balance of funds owing by the Province to the Commission at 31 March.

3. Capital assets

	1999	1998
Furniture and equipment	$1,102,106	$ 1,364,015
Less: expensed in year of acquisition	1,102,106	1,364,015
	$ -	$ -

4. Bank indebtedness

The Commission has an operating line of credit of $2,000,000 which was authorized by the Province. There was no balance outstanding for either the current or prior year.

5. Insured services

	1999	1998
Fee for Service - Physicians	$113,403,478	$109,630,245
Fee for Service - Out-of-Province	4,636,581	4,454,793
Incentive Fund	345,303	343,391
Sessional	6,178,685	4,704,403
Surgical Dental	388,344	330,871
	$124,952,391	$119,463,703

In accordance with Government's policy on fiscal restraint, the Commission has a global capping mechanism in place to ensure that expenditures for insured services do not exceed the fixed budget. This mechanism was not required to be used in the current or previous year.

In addition, in both 1998-99 and 1997-98, reductions were made in payments to certain physicians who exceeded stipulated levels based on a separate proration formula developed in conjunction with the Newfoundland and Labrador Medical Association.

6. Computer costs

	1999	1998
Claims Processing	$425,213	$446,363
Facilities Management	235,215	348,256
Equipment Maintenance	4,820	3,656
Development/Enhancements	176,219	55,403
	$841,467	$853,678

7. Pensions

The Commission and its staff are subject to the Public Service Pensions Act, 1991. Employee contributions are matched by the Commission and then remitted to the Province of Newfoundland Pooled Pension Fund from which pensions will be paid to employees when they retire. The Commission's share of pension contributions for 1999 was $119,800 (1998 - $112,419).

8. Economic dependence

As a result of the Commission's reliance on Provincial funding, the Commission's ability to continue viable operations is dependent upon the decisions of the Province.

9. Subsequent events

As a result of a reorganization of the Department of Health and Community Services, it was announced in April 1999 that the operations of the Newfoundland Medical Care Commission will be integrated with those of the Department of Health and Community Services. Pending a change in legislation, the integration and winding up of the Commission as a Crown Corporation is anticipated to be completed in fiscal year 1999/2000.

10. Uncertainty due to Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or other third parties, will be fully resolved.

11. Income taxes

The Commission is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

NEWFOUNDLAND MUNICIPAL FINANCING CORPORATION

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Board of Directors
Newfoundland Municipal Financing Corporation
St. John's, Newfoundland

I have audited the balance sheet of the Newfoundland Municipal Financing Corporation as at 31 March 1999 and the statements of revenue, expenditure and deficit, and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1999 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
25 June 1999

NEWFOUNDLAND MUNICIPAL FINANCING CORPORATION

BALANCE SHEET

31 MARCH 1999

	1999 (000's)	1998 (000's)
ASSETS		
Current		
Cash and term deposits	$ 10,171	$ 15,798
Investment - coupons	5,519	2,294
Accounts receivable	14,235	9,194
Accrued interest receivable	10,063	11,255
Current portion of loans receivable (Note 2)	44,095	45,828
	84,083	84,369
Long-term investment - coupons	23,628	8,663
Long-term loans receivable (Note 2)	292,033	298,113
Deferred charges (Note 3)	1,485	1,607
	$401,229	$392,752
LIABILITIES AND DEFICIT		
Current		
Accounts payable and accrued liabilities	$ 43	$ 84
Accrued interest payable	12,896	13,907
Current portion of debenture debt (Note 4)	41,779	33,730
Current portion of deferred revenue (Note 5)	1,953	1,247
	56,671	48,968
Long-term debenture debt (Note 4)	331,023	331,509
Deferred revenue (Note 5)	6,722	4,794
Reserve fund (Note 6)	10,938	11,304
	405,354	396,575
Deficit	(4,125)	(3,823)
	$401,229	$392,752

See accompanying notes

Signed on behalf of the Board of Directors:

Chairperson

Director

NEWFOUNDLAND MUNICIPAL FINANCING CORPORATION

STATEMENT OF REVENUE, EXPENDITURE AND DEFICIT

FOR THE YEAR ENDED 31 MARCH 1999

	1999 (000's)	1998 (000's)
REVENUE		
Interest on loans to municipal corporations	$37,846	$42,480
Sinking fund income	8,030	7,815
Short-term interest	1,447	1,073
Amortization of deferred revenue:		
Prepayment penalties	1,600	1,034
	48,923	52,402
EXPENDITURE		
Administrative and miscellaneous	193	180
Amortization of deferred charges:		
Issue expenses on debenture debt	250	284
Premiums and discounts on debenture debt	129	229
Interest on long-term debt	48,653	53,732
	49,225	54,425
Excess of expenditure over revenue	(302)	(2,023)
Deficit, beginning of year	(3,823)	(1,800)
Deficit, end of year	$ (4,125)	$ (3,823)

See accompanying notes

NEWFOUNDLAND MUNICIPAL FINANCING CORPORATION

STATEMENT OF CHANGES IN FINANCIAL POSITION

FOR THE YEAR ENDED 31 MARCH 1999

	1999 (000's)	1998 (000's)
Cash provided by (used in):		
Operating activities		
Excess of expenditure over revenue	$ (302)	$ (2,023)
Add (deduct) non-cash items		
Sinking fund income	(8,030)	(7,815)
Amortization of issue expenses on debenture debt	250	284
Amortization of premiums and discounts on debenture debt	129	229
	(7,953)	(9,325)
Change in non-cash working capital	(4,901)	(4,750)
	(12,854)	(14,075)
Financing activities		
Proceeds from debenture issues	43,000	-
Liquidation of sinking fund assets	41,323	41,763
Retirement of debentures	(67,870)	(69,989)
Sinking fund requirements	(860)	(41,260)
Issue expenses on debenture debt	(95)	-
Discounts on debenture debt	(162)	-
Deferred revenue	2,634	1,530
Reserve fund	(366)	2,304
	17,604	(65,652)
Investing activities		
Investment - coupons	(14,965)	(8,663)
Loans to municipal corporations	(54,750)	(14,428)
Payments on loans from municipal corporations	62,563	57,142
	(7,152)	34,051
Decrease in cash, term deposits and investment - coupons	(2,402)	(45,676)
Cash, term deposits and investment - coupons, beginning of year	18,092	63,768
Cash, term deposits and investment - coupons, end of year	$15,690	$ 18,092

See accompanying notes

NEWFOUNDLAND MUNICIPAL FINANCING CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

Newfoundland Municipal Financing Corporation (the Corporation) was created by the Municipal Financing Corporation Act. The Corporation's primary function is to provide long-term financing for the capital requirements of municipal corporations by the issuance of its securities, and relending the funds to municipal corporations. The affairs of the Corporation are managed by a Board of Directors appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province of Newfoundland. Support staff and resources of the Provincial Departments of Justice, Finance, and Municipal and Provincial Affairs are provided to the Corporation.

1. Significant accounting policies

These financial statements have been prepared by the Corporation in accordance with generally accepted accounting principles. Outlined below are the significant accounting policies followed.

(a) Premiums, discounts and issue expenses on debenture debt

Premiums, discounts and issue expenses are deferred and amortized on a straight line basis over the life of the debenture issue to which they relate. In the case of the early retirement of debenture debt, a proportionate amount of the deferred balance is included with the gain or loss in the determination of net income for the period.

(b) Deferred revenue

Penalties are charged when municipal corporations prepay all or a portion of their loans with the Corporation. These penalties are deferred and amortized on a straight line basis over the average years remaining for these loans prior to payout.

2. Loans receivable

	1999 (000's)	1998 (000's)
Loans receivable from municipal corporations	$336,128	$343,941
Less: current portion	(44,095)	(45,828)
Long-term portion	$292,033	$298,113

2. Loans receivable (cont.)

Loans to municipal corporations are made on the security of their debentures. Provisions exist for the recovery from the Province of any defaults by municipal corporations. Therefore, no allowance for doubtful accounts has been provided.

Principal payments receivable in each of the next five (5) years are as follows:

Year	Amount (000's)
2000	$44,095
2001	$39,576
2002	$34,991
2003	$34,321
2004	$32,028

3. Deferred charges

	1999 (000's)	1998 (000's)
Issue expenses on debenture debt	$ 978	$1,156
Premiums and discounts on debenture debt	507	451
	$1,485	$1,607

NEWFOUNDLAND MUNICIPAL FINANCING CORPORATION

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

4. Debenture debt

The Corporation's debenture debt is unconditionally and fully guaranteed as to principal, interest and sinking fund payments, if any, by the Province of Newfoundland. Details of long-term debt outstanding at 31 March 1999 are as follows:

Series	Remaining Term	Interest Rate %	Sinking Fund Balance (000's)	1999 (000's)	1998 (000's)	
MFC-03			$ -	$ -	$ 35,000	
MFC-08	15 Nov 1999-03	13.000	36,009	36,009	36,009	(a)
MFC-11	14 Mar 2000	12.125	-	5,000	5,000	
MFC-12	14 Mar 2000-05	12.250	7,257	13,000	13,000	
MFC-14	1 Aug 1999-05	11.250	16,487	16,487	16,487	(b)
MFC-16	19 Dec 1999-05	11.000	12,434	15,000	15,000	(c)
MFC-17	11 Dec 1999-06	10.125-10.250	-	12,000	13,500	(d)
MFC-18	15 Dec 1999-02	11.250-11.375	-	9,332	11,665	(e)
MFC-19	29 Jun 1999-03	11.0-11.250	-	8,330	9,997	(f)
MFC-20	15 Sep 1999-03	11.50-11.625	-	11,670	14,003	(g)
MFC-21	1 Dec 1999-08	10.875	4,753	15,000	15,000	
MFC-22	15 Jun 1999-09	10.500	-	13,750	15,000	(h)
MFC-23	7 Dec 1999-04	10.25-10.375	-	7,000	8,000	(i)
MFC-24	30 May 1999-05	12.625-12.750	-	12,505	14,290	(j)
MFC-25	27 Nov 1999-05	12.125-12.250	-	11,664	13,331	(k)
MFC-26	30 May 1999-06	10.75-10.875	-	21,336	24,003	(l)
MFC-27	20 Nov 1999-06	9.875-10.250	-	13,331	14,998	(m)
MFC-28	30 Apr 1999-07	9.750-10.250	-	23,998	26,665	(n)
MFC-29	15 Dec 1999-07	8.875-9.625	-	9,000	10,000	(o)
MFC-30	20 May 1999-08	8.125-9.125	-	20,000	22,000	(p)
MFC-31	1 Dec 1999-08	7.125-8.375	-	23,330	25,664	(q)
MFC-32	17 May 1999-08	8.375-9.375	-	28,000	31,000	(r)
MFC-33	2 Sep 1999-03	9.750	-	10,000	10,000	
MFC-34	2 Sep 1999-07	9.960	-	10,000	10,000	
MFC-35	15 Dec 1999-04	9.250-10.000	-	22,000	24,000	(s)
MFC-36	15 May 1999-10	8.650-9.600	-	15,000	15,000	(t)
MFC-37	10 Jan 2000-11	7.125-8.375	-	24,000	26,000	(u)
MFC-38	1 Jun 1999-13	5.375-6.000	-	17,000	-	(v)
MFC-39	16 Dec 1999-13	5.125-6.125	-	26,000	-	(w)
Total			$ 76,940	449,742	474,612	
Less: sinking funds				(76,940)	(109,373)	(x)
Net debenture debt				372,802	365,239	
Less: current portion				(41,779)	(33,730)	
Long-term portion				$331,023	$331,509	

4. Debenture debt (cont.)

(a) Callable on any interest payment date on or after 15 November 2001, at par, on 30 days notice.

(b) Callable on any interest payment date on or after 1 August 2003, at par, on 30 days notice.

(c) Callable on any interest payment date on or after 19 December 2003, at par, on 30 days notice.

(d) On 11 December of each year commencing 11 December 1999, the Corporation is to redeem $1,500,000 each year for eight (8) years.

(e) On 15 December of each year commencing 15 December 1999, the Corporation is to redeem $2,333,000 in each of the years 1999 to 2002 inclusive.

(f) On 29 June of each year commencing 29 June 1999, the Corporation is to redeem $1,666,000 in each of the years 1999 to 2003 inclusive.

(g) On 15 September of each year commencing 15 September 1999, the Corporation is to redeem $2,334,000 in each of the years 1999 to 2003 inclusive.

(h) On 15 June of each year commencing 15 June 1999, the Corporation is to redeem $1,250,000 each year for eleven (11) years.

(i) On 7 December of each year commencing 7 December 1999, the Corporation is to redeem $1,000,000 in each of the years 1999 to 2003 inclusive and $2,000,000 in the year 2004.

(j) On 30 May of each year commencing 30 May 1999, the Corporation is to redeem $1,785,000 in each of the years 1999 to 2000 inclusive and $1,787,000 in each of the years 2001 to 2005 inclusive.

(k) On 27 November of each year commencing 27 November 1999, the Corporation is to redeem $1,667,000 in each of the years 1999 to 2000 inclusive and $1,666,000 in each of the years 2001 to 2005 inclusive.

(l) On 30 May of each year commencing 30 May 1999, the Corporation is to redeem $2,667,000 in each of the years 1999 to 2006 inclusive.

(m) On 20 November of each year commencing 20 November 1999, the Corporation is to redeem $1,667,000 in each of the years 1999 to 2001 inclusive and $1,666,000 in each of the years 2002 to 2006 inclusive.

4. Debenture debt (cont.)

(n) On 30 April of each year commencing 30 April 1999, the Corporation is to redeem $2,667,000 in each of the years 1999 to 2002 inclusive and $2,666,000 in each of the years 2003 to 2007 inclusive.

(o) On 15 December of each year commencing 15 December 1999, the Corporation is to redeem $1,000,000 each year for nine (9) years.

(p) On 20 May of each year commencing 20 May 1999, the Corporation is to redeem $2,000,000 each year for ten (10) years.

(q) On 1 December of each year commencing 1 December 1999, the Corporation is to redeem $2,333,000 in each of the years 1999 to 2008 inclusive.

(r) On 17 May of each year commencing 17 May 1999, the Corporation is to redeem $3,000,000 in each of the years 1999 to 2004 inclusive; $2,000,000 in year 2005; $6,000,000 in year 2007; and $2,000,000 in year 2008.

(s) On 15 December of each year commencing 15 December 1999, the Corporation is to redeem $2,000,000 in each of the years 1999 to 2003 inclusive and $12,000,000 in year 2004.

(t) On 15 May of each year commencing 15 May 1999, the Corporation is to redeem $1,250,000 each year for twelve (12) years.

(u) On 10 January of each year commencing 10 January 2000, the Corporation is to redeem $2,000,000 each year for twelve (12) years.

(v) On 1 June of each year commencing 1 June 2000, the Corporation is to redeem $1,200,000 in each of the years 2000 to 2009 inclusive and $1,250,000 in years 2010 to 2013 inclusive.

(w) On 16 December of each year commencing 16 December 1999, the Corporation is to redeem $1,800,000 in years 1999 to 2000, $1,900,000 in year 2001, $2,000,000 in years 2002 to 2005, $2,500,000 in years 2006 to 2008, $1,000,000 in years 2009 to 2013.

(x) For debentures which have sinking fund requirements, the Corporation makes the required contributions to the Board of Trustees of the Newfoundland Consolidated Sinking Funds. This is an unincorporated body appointed by the Lieutenant-Governor in Council. All board members are full-time employees of the Province of Newfoundland.

4. Debenture debt (cont.)

Estimated sinking fund requirements and debenture maturities over the next five (5) years are as follows:

Year Ending 31 March	Sinking Fund Requirements (000's)	Debenture Maturities (000's)	Total Amount (000's)
2000	$860	$40,919	$41,779
2001	$860	$37,119	$37,979
2002	$860	$37,220	$38,080
2003	$560	$37,319	$37,879
2004	$560	$44,985	$45,545

Debenture maturities reflect only securities maturing without sinking funds.

5. Deferred revenue

	1999 (000's)	1998 (000's)
Deferred revenue	$8,675	$6,041
Less: current portion	(1,953)	(1,247)
	$6,722	$4,794

During the year, 20 municipal corporations paid off a portion or all of their loans with the Corporation. The total of these payouts was $17,440,699. Subsequent to year end, 3 municipal corporations paid off their loans totalling $1,239,120.

6. Reserve fund

During the year, the Province of Newfoundland advanced $5,000,000 to the Corporation to mitigate arrears with respect to municipal loans. This reserve fund will be allocated as the Department of Municipal and Provincial Affairs concludes negotiations with various municipal corporations with respect to restructuring debt due to the Corporation. Amounts totalling $5,365,725 were allocated to 13 municipal corporations during the year.

	1999 (000's)	1998 (000's)
Balance, beginning of year	$11,304	$9,000
Add: funds advanced to Corporation during year	5,000	3,000
Less: amounts allocated to municipalities for debt restructuring	(5,366)	(696)
Balance, end of year	$10,938	$11,304

7. Economic dependence

As a result of cost-sharing arrangements, the loans receivable from municipal corporations disclosed in Note 2 are serviced by both the municipal corporations and the Province of Newfoundland. Due to the nature of these arrangements, the Province is in effect repaying a significant portion of the loans owing to the Corporation. Provisions exist for the recovery from the Province of any defaults by municipal corporations.

The Corporation's debentures are fully guaranteed by the Province as to principal, interest and sinking fund payments, if any. As at 31 March 1999, this guarantee covered net debenture debt and accrued interest totalling $385,698,000. In addition, the Province, through the Department of Municipal and Provincial Affairs, assists municipal corporations in repaying their debt and related interest charges.

As a result, the Corporation's continued existence is dependent upon the decisions of the Province.

8. Year 2000

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Corporation including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved; however, during the 1998-99 fiscal year, the Corporation converted to a microcomputer based loan system, which is Year 2000 compliant. As well, the Corporation's hardware can support applications for the Year 2000 and beyond.

9. Income taxes

The Corporation is a Crown corporation of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Newfoundland Ocean Enterprises Limited Consolidated Financial Statements

March 31, 1999

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Grant Thornton

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Auditors' Report

To the Shareholders of
Newfoundland Ocean Enterprises Limited

We have audited the consolidated balance sheet of Newfoundland Ocean Enterprises Limited as at March 31, 1999 and the consolidated statements of loss and deficit and changes in financial position for the year then ended. These consolidated financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at March 31, 1999 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

St. John's, Newfoundland
July 7, 1999

Grant Thornton
Chartered Accountants

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187 Kenmount Road
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Newfoundland Ocean Enterprises Limited
Consolidated Statements of Loss and Deficit

Year ended March 31 (in thousands)	1999	1998
Revenue	$ 13	$ 66,260
Expenses		
Production costs and other	251	69,049
Depreciation and amortization	-	775
Interest	-	(556)
	251	69,268
Loss before other item	(238)	(3,008)
Other item		
Loss on sale of property, equipment and operations (Note 6)	-	22,525
Net loss	$ (238)	$ (25,533)
Deficit, beginning of year	$ (85,146)	$ (59,613)
Net loss	(238)	(25,533)
Deficit, end of year	$ (85,384)	$ (85,146)

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Balance Sheet

March 31 (in thousands)	1999	1998
Assets		
Current		
Cash	$ 280	$ 239
Receivables	79	1,142
	$ 359	$ 1,381
Liabilities		
Current		
Bank indebtedness (Note 3)		$ 69,587
Payables and accruals	$ 340	2,437
	340	72,024
Shareholders' Equity (Deficiency)		
Capital stock (Note 4)	3	3
Contributed surplus (Note 5)	85,400	14,500
Deficit	(85,384)	(85,146)
	19	(70,643)
	$ 359	$ 1,381

Contingent liabilities (Note 7)

On behalf of the Board

__________ Director __________ Director

See accompanying notes to the consolidated financial statements.

Newfoundland Ocean Enterprises Limited
Consolidated Statement of Changes in Financial Position

Year Ended March 31

(in thousands)	1999	1998
Cash derived from (applied to)		
Operating activities		
Loss before other item	$ (238)	$ (3,008)
Depreciation and amortization	-	775
	(238)	(2,233)
Change in non-cash operating working capital	(1,034)	1,080
	(1,272)	(1,153)
Financing activities		
Proceeds from long term debt	-	72
Repayment of long term debt	-	(150)
Contributed surplus	70,900	
	70,900	(78)
Investing activities		
Acquisition of fixed assets	-	(909)
Proceeds from sale of fixed assets	-	76
	-	(833)
Net increase (decrease) in cash	69,628	(2,064)
Cash (bank indebtedness)		
Beginning of year	(69,348)	(67,284)
End of year	$ 280	$ (69,348)

See accompanying notes to the consolidated financial statements.

1. Operations

On January 1, 1998 the Company ceased operations, and transferred property and equipment, and certain current assets less liabilities to an affiliated company (as outlined in Note 6).

Bank indebtedness (as outlined in Note 3) was not assumed on the transfer of assets and operations.

2. Summary of significant accounting policies

Principles of consolidation

The consolidated financial statements include the accounts of Newfoundland Ocean Enterprises Limited, its wholly-owned subsidiaries Marystown Shipyard Limited and Vinland Industries Limited, and Vinland Industries, A Limited Partnership.

Income recognition

Revenue from contracts is recognized on the percentage-of-completion method. Under this method, the percentage-of-completion is determined by relating the actual production costs incurred to date on a component basis to the current estimated total production costs for each contract. Until progress on a contract reaches a point where management can determine with reasonable accuracy the estimated final results, revenues are recognized only to the extent of costs incurred. The performance of such contracts may extend over several years and therefore periodic reviews of estimated final revenues and costs are necessary during the term of the contracts. Final contract settlements and periodic reviews may result in revisions to estimated final contract profits or losses which have the effect of including cumulative adjustments to income in the year the revisions are made. Anticipated losses on uncompleted contracts are provided for in full in the year in which the losses become evident.

Production costs

The cost components charged to production are direct labour, material associated with production and overhead costs. Materials purchased specifically for production are charged to production costs when purchase orders are issued.

2. Summary of significant accounting policies (cont'd.)

Warranty

The estimated cost of warranty is recognized as a component of cost during the performance of the contracts. Adjustments to these estimated costs are recognized in the year in which they become evident.

Foreign currency translation

Assets and liabilities that are stated in foreign currencies have been translated at exchange rates in effect at year end. Income and expenses are translated at average exchange rates during the year. Exchange gains or losses resulting from foreign currency translation are reflected in income.

3. Bank indebtedness

	1999	1998
Bankers' acceptance	$ -	$ 69,587

Bankers' acceptances matured in March 1999 at an amount of $70,900,000 and were secured by a guarantee of the Government of Newfoundland and Labrador.

The Company has an operating line of credit with its bank , guaranteed by the Government of Newfoundland and Labrador.

4. Capital stock

	1999	1998
Authorized:		
An unlimited number of common shares of no par value		
Issued and outstanding:		
3 shares	$ 3	$ 3

5. Contributed surplus

Prior to the balance sheet date, the Government of Newfoundland and Labrador advanced the Company funds, in the amount of $70,900,000, to retire the bankers' acceptances as outlined in Note 3.

6. Other item

On January 1, 1998 the Company transferred property and equipment and working capital (certain current assets less liabilities) to an affiliated company at book values, and as consideration received common shares of that company. The Company then sold the common shares to a third party for a nominal amount of $1.

As a result of these transactions the Company incurred losses of $22,525,000.

The loss on the sale of shares can attributable to:

Loss on sale of property, equipment and investments	$ 20,270,000
Loss due to working capital deficiency guarantee	2,500,000
Gain arising on operating leases previously capitalized	(245,000)
	$ 22,525,000

7. Contingent liabilities

At the balance sheet date, there are a number of claims against the Company in varying amounts for which no provision has been made. It is not possible to determine the amounts that may ultimately be assessed against the Company with respect to these claims, but management believes that any such amounts would not have a material impact on the business or financial position of the Company.

SCHOOL DISTRICT #2
NORTHERN PENINSULA/LABRADOR SOUTH

FINANCIAL STATEMENTS/AUDITOR'S REPORT

June 30, 1998

SCHOOL DISTRICT #2

(Name of School Board)

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AUDITOR'S REPORT

To the Members of

School District #2,
Northern Peninsula/Labrador South

I have audited the balance sheet of the current and capital funds of School District #2, Northern Peninsula/Labrador South, as at June 30, 1998, and the statements of current revenue, expenditure and board equity, and changes in capital fund position for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at June 30, 1998, and the results of its operations and the changes in its capital financial position for the year then ended in accordance with generally accepted accounting principles and as explained in Note 1 to the financial statements, and are in compliance with reporting requirements established for School Boards in the Province of Newfoundland and Labrador by the Department of Education.

CORNER BROOK, NEWFOUNDLAND
2 September 1998

David G. Purchase
CHARTERED ACCOUNTANT

CA

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AUDITOR'S REPORT

To the Members of

School District #2
Northern Peninsula/Labrador South

In compliance with the requirements of Section 17 of the Schools Act, I report as follows on my examination of the accounts of School District #2, Northern Peninsula/Labrador South, for the year ended June 30, 1998.

SUFFICIENCY OF BONDS

Bond coverage of $50,000 is carried on the Business Manager and others in the Board office responsible for the collection, receipt and depositing of Board funds. In addition, bond coverage of $20,000 is carried covering School Board Principals, Vice Principals and Secretaries.

In my opinion, the bond coverage carried is sufficient.

CORNER BROOK, NEWFOUNDLAND

2 September 1998

David G. Purchase
CHARTERED ACCOUNTANT

SCHOOL DISTRICT #2
(Name of School Board)

Balance Sheet

June 30, 1998

	1998	1997
Assets		
Current Assets		
Cash (Supp. Info. 1)	$ 10,059	$ 623,842
Short Term Investments (Supp. Info. 2)	5,173	5,173
Accounts Receivable (Note 2)	333,846	125,812
Prepaid Expenses (Supp. Info. 3)	12,977	23,861
Total Current Assets	362,055	778,688
Property and Equipment (Sch. 8)	37,631,700	37,622,162
	$ 37,993,755	$ 38,400,850
Liabilities and Board Equity		
Current Liabilities	$	$
Bank Indebtedness (Note 3)	78,637	--
Accounts Payable and Accrued (Note 4)	3,823,073	525,785
Current Maturities (Schedule 9A)		
Total Current Liabilities	3,901,710	525,785
Long-Term Debt (Schedule 9)		
Board Equity		
Investment In Capital Assets (Note 6)	37,631,700	37,622,043
Reserve Account (Note 5)		
Board Equity	(3,539,655)	253,022
Total Board Equity	34,092,045	37,875,065
	$ 37,993,755	$ 38,400,850

See Accompanying Notes

Approved: ____________________ Chairman

____________________ Secretary

SCHOOL DISTRICT #2
(Name of School Board)

Statement of Current Revenues, Expenditures and Board Equity

Year Ended June 30, 1998
(With comparative figures for the six months ended June 30, 1997)

	1998	1997
Current Revenue (Schedule 1)		
Provincial Government Grants	$20,241,036	11,028,061
Donations	37,730	2,500
Ancillary Services	17,259	10,857
Miscellaneous	347,150	108,621
	20,643,175	11,150,039
Current Expenditures		
Administration (Schedule 2)	852,025	408,984
Instruction (Schedule 3)	19,448,510	7,996,377
Operations and Maintenance (Schedule 4)	2,821,724	1,294,727
Pupil Transportation (Schedule 5)	1,303,935	761,730
Ancillary Services (Schedule 6)		
Interest Expense (Schedule 9C)	--	4,751
Miscellaneous Expense (Schedule 7)		
	24,426,194	10,466,569
23 111 Excess (Deficiency) of Revenue over Expenditures	(3,783,109)	683,470
Transfer to~~/from~~ Capital	(9,658)	(331,407)
Net Increase/Decrease in Board Equity	(3,792,677)	352,063
Board Equity, Beginning of Year	253,022	(99,041)
	(3,539,655)	253,022
Less Transferred to Reserve Account	--	--
Board Equity (Deficit), End of Year	$(3,539,655)	253,022
Board Equity (Deficit) consists of:		
Board Equity before Accrued Severance	104,830	
Less: Accrued Severance		
Teachers	(3,323,880)	
Support Staff	(320,605)	
	(3,644,485)	
Board Deficit, end of year	$(3,539,655)	

SCHOOL DISTRICT #2

(Name of School Board)

Statement of Changes in Financial Position

Year Ended June 30, 1998

(With comparative figures for the six months ended June 30, 1997)

		1998	1997
60	**Operating Activities**		
011	Excess of Revenue over Expenditures	$(3,792,677)	$ 352,063
012	Changes in Non-Cash Working Capital		
013	- Short-Term Investments		
014	- Accounts Receivable	(208,034)	227,005
015	- Prepaid Expenses	10,884	57,090
014	- Accounts Payable & Accrued Expenses	3,297,287	88,241
015	- Current Maturities	--	(110,157)
016	Other (Specify)		
		(692,540)	614,242
61	**Financing Activities**		
011	Proceeds from Bank Loans		
012	Grants - Capital		
013	Other Capital Revenues	9,658	331,407
014	Changes in Long-Term Debt	--	(305,798)
015	Other (Specify)	--	81,449
		9,658	107,058
62	**Investing Activities**		
011	Proceeds in Sale of Capital Assets		
012	Additions to Property and Equipment	(9,538)	--
013	Other (Specify)		
		(9,538)	--
63	**Increase (decrease) in Cash**	(692,420)	721,300
64	**Cash, Beginning of the Year**	623,842	(97,458)
65	**Cash, End of the Year**	$ (68,578)	$ 623,842
	Cash, end of year, consists of:		
	Cash	$ 10,059	623,842
	Bank indebtedness	(78,637)	--
		$ (68,578)	623,842

See Accompanying Notes

SCHOOL DISTRICT #2
(Name of School Board)

Statement of Changes in Capital Fund
Year Ended June 30, 1998

		1998	1997
70	**Capital Receipts**		
71	**Proceeds from Bank Loans**		
011	- School Construction	$	$
012	- Equipment		
013	- Service Vehicles		
014	- Pupil Transportation		
015	- Other (Specify)		
72	**DEC Grants**		
011	School Construction and Equipment		
012	Other (Specify)		
73	**Donations**		
011	- Cash Receipts		
012	- Non-Cash Receipts		
013	- Restricted Use		
74	**Sale of Capital Assets - Proceeds**		
011	- Land		
012	- Buildings		
013	- Equipment		
014	- Service Vehicles		
015	- Pupil Transportation Vehicles		
016	- Other (Specify)		
75	**Other Capital Revenues**		
011	- Interest on Capital Fund Investments		
012	- Premiums on Debentures		
013	- Recoveries of Expenditures		
015	- Insurance Proceeds		
016	- Native Peoples Grants		
017	- Miscellaneous (Specify) - see below	--	3,099
	Total Capital Receipts	--	3,099
77	**Transfer from Reserve Account**		
78	**Transfer to/from Current Fund**	9,658	331,407
	Total	$ 9,658	$ 334,506

See Accompanying Notes

Miscellaneous receipts:		
Decrease in cash	--	175
Decrease in accounts receivable	--	4,305
Decrease in accounts payable	--	(1,381)

SCHOOL DISTRICT #2

(Name of School Board)

Statement of Changes in Capital Fund (Cont'd)

Year Ended June 30, 1998
(With comparative figures for the six months ended June 30, 1997)

		1998	1997
80	**Capital Disbursements**		
81	**Additions to Property & Equipment**	$	$
011	- Land and Sites	✓ 2,186	--
012	- Buildings	✓ 7,352	--
013	- Furniture & Equipment - School		
014	- Furniture & Equipment - Other		
015	- Service Vehicles		
016	- Pupil Transportation		
017	- Other (Specify)		
		9,538	--
82	**Principal Repayment of Long Term Debt**		
011	- School Construction	--	334,506
012	- Equipment		
013	- Service Vehicles		
014	- Other (Specify)		
		--	334,506
83	**Miscellaneous Disbursements**		
013	- Other (Specify) - see below	120	--
		120	--
	Total Capital Disbursements	$ 9,658	$ 334,506

See Accompanying Notes

Miscellaneous disbursements:		
Increase in cash	120	--

SCHOOL DISTRICT #2

(Name of School Board)

Notes To The Financial Statements

Year Ended June 30, 1998

1. Significant Accounting Policies:

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Boards. Fund accounting can be defined as "accounting procedures in which a self balancing group of accounts is provided for each fund". It is customary for School Boards to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the Board, relating to their use of fund accounting, is as follows:

(a) Grants received by the Board are recorded in either the current or capital funds depending on their source. Grants from the Department of Education are treated as current revenues while those from the Denominational Education Council are recorded as capital revenues.

(b) Fixed asset additions are recorded at full cost in the capital fund.

(c) The Board does not calculate or record depreciation on any of its fixed assets.

(d) Principal Repayment of Pupil Transportation Loans are recorded as Current Expenditures. All other principal repayment of bank loans are recorded as Capital Expenditures.

SCHOOL DISTRICT #2

(Name of School Board)

Notes to The Financial Statements

Year Ended June 30, 1998

2. Accounts Receivable

			1998	1997
		Current		
11	131	Provincial Government	$ 151,640	$ 10,681
	132	Transportation	29,749	37,243
	133	Federal Government - GST	113,035	62,193
	136	Other School Boards		
	137	Rent		
	138	Interest	94	141
	139	Travel Advances and Misc.	39,328	15,554
		Capital		
11	231	DEC - Construction Grants		
	233	Local Contributions		
	234	Other School Boards		
	235	Other (Specify)		
			$ 333,846	$ 125,812

3. Bank Indebtedness

			1998	1997
21	131	On Operating Credit	$ 78,637	$ --
	132	On Capital Account		
			$ 78,637	$ --

SCHOOL DISTRICT #2

(Name of School Board)

Notes To The Financial Statements

Year Ended June 30, 1998

4. Accounts Payable and Accrued

		1998	1997
	Current		
21 111	Trade Payable	$ 131,127	$ 102,247
112	Accrued - Liabilities	4,500	4,500
113	- Interest		
114	- Wages		
115	Payroll Deductions	--	3,354
116	Retail Sales Tax		
117	Deferred Grants	42,961	136,685
118	Other (Specify) - Severance Pay		
	Teachers	3,323,880	--
	Support Staff	320,605	278,999
	Capital		
21 211	Trade Payable		
212	Accrued - Liabilities		
213	- Interest		
217	Deferred Grants		
218	Other (Specify)		
		$ 3,823,073	$ 525,785

In accordance with a directive from the Department of Education in 1998, teachers' severance in the amount of $3,323,880 has been accrued in the accounts.

(Name of School Board)

Notes To The Financial Statements

Year Ended June 30, 1998

5. Reserve Account

Description:

NIL

	1998	1997
Balance, Beginning of Year	$ NIL	$ NIL
Less Transfer from Reserve		
Add Transfer to Reserve		
Balance, End of Year	$ NIL	$ NIL

SCHOOL DISTRICT #2
(Name of School Board)

Notes To The Financial Statements

Year Ended June 30, 1998

	1998	1997
6. Investment in Capital Assets, beginning of year	$37,622,043	$37,209,187
Add:		
Debt repayment - Principal by Current Fund	--	415,955
Transfer of Operating Funds to Capital Fund	9,657	--
Grants - DEC - Contribution for Capital Const.		
- Other (Specify)		
Donations - (Specify)		
Proceeds from Sale of Capital Assets - Land		
- Buildings		
- Equipment		
- Vehicles		
- Other		
Interest on Capital Fund Investments		
Recoveries of Expenditures		
Insurance Proceeds - Capital		
Native Peoples Grants - Capital		
Miscellaneous (Specify)		
	37,631,700	37,625,142
Deduct Adjustments:		
Cost of assets sold - Land		
- Buildings		
- Equipment		
- Vehicles		
- Other		
Other - Transfer of Capital Funds to Operating Fund	--	3,099
23 221 Investment in Capital Assets, end of year	$37,631,700	$37,622,043

SCHOOL DISTRICT #2

(Name of School Board)

Notes To The Financial Statements

Year Ended June 30, 1998

7. Commitments:

At balance sheet date the Board had the following commitments:

None

8. Other (Please Specify)

Schedule 1

SCHOOL DISTRICT #2

(Name of School Board)

Current Revenues

Year Ended June 30, 1998
(With comparative figures for the six months ended June 30, 1997)

			1998	1997
Current Revenues				
32	010	**Provincial Government Grants**		
	011	Regular Operating Grants	$ 3,812,200 ✓	$2,171,607
	016	Special Grants (Details on bottom of Schedule 1)	450,513	454,615
		Salaries and Benefits		
	017	- Superintendent and Asst. Supts.	271,800	134,838
	021	- Regular Teachers	14,086,553	7,406,245
	022	- Substitute Teachers	353,517	199,782
	030	Pupil Transportation		
	031	- Board Owned	399,139	137,135
	032	- Contracted	735,357	435,876
	033	- Handicapped	131,957	87,963
			20,241,036	11,028,061
33	010	**Donations**		
	012	Cash Receipts		
	013	Non Cash Receipts		
	014	Restricted Use	37,730	2,500
			37,730	2,500

34	010	**Ancillary Services**		
	011	Revenues from Rental of Residences		
	021	Revenues from Rental of Schools and Facilities (Net)	17,259	10,857
	031	Cafeterias		
	032	Other (Specify)		
			17,259	10,857
35	010	**Miscellaneous**		
	011	Interest on Investments	12,350	3,510
	012	Bus Charters	3,478	760
	021	Recoveries of Expenditures	709	210
	031	Revenues from Other School Boards		
		Federal Rebates - GST	136,579	54,725
	051	Insurance Proceeds		
	061	Bilingual Education Revenue	22,809	12,759
	071	Operating Rev. from Native Peoples Grant		
	081	Miscellaneous Federal Grants	113,748	30,775
	091	Textbooks	51,097	823
	092	Sundry	6,380	5,059
			347,150	108,621
		Total Current Revenues	$20,643,175	$11,150,039

Special Grants

Computers for Schools	$ 97,400	--
Computer System Upgrade	24,900	--
Curriculum Software Support	1,724	--
Student Assistants	93,637	--
Substitutes Surplus	27,811	--
Additional Costs - Court Ruling	59,596	--
School Board Election Grant	36,186	--
Redundancy/Severance	42,775	--
Retroactive Wages/Pay Equity	25,847	--
Air Quality Work	30,243	--
8% Administration Grant	4,588	--
Open Webb Steel Joist Project	5,806	--
Funding for Interim Board	--	24,050
Instructional Travel Allocation	--	40,000
8% Discount - Textbooks	--	1,865
Capital Debt - Pay Down	--	388,700
	$450,513	454,615

SCHOOL DISTRICT #2

(Name of School Board)

Administration Expenditures

Year Ended June 30, 1998
(With comparative figures for the six months ended June 30, 1997)

			1998	1997
51		Salaries and Benefits		
	011	- Superintendents and Assistant Superintendents	$ 282,921	$ 143,373
	012	- Board Office Personnel	212,186	98,933
	013	Office Supplies	13,265	11,832
	014	Replacement Furniture and Equipment	5,413	--
	015	Postage	14,950	7,810
	016	Telephone	31,990	18,740
	017	Office Equipment Rentals and Repairs	7,792	4,289
	018	Bank Charges	3.501	1,458
	019	Electricity	17,843	10,460
	021	Fuel		
	022	Insurance		
	023	Repairs and Maintenance (Office Building)		
	024	Travel	79,594	39,792
	025	Board Meeting Expenses	71,762	42,860
	026	Election Expenses	26,186	--
	027	Professional Fees	35,322	7,635
	028	Advertising	29,090	12,027
	029	Membership Dues	15,570	7,607
	031	Municipal Service Fees		
	032	Rental of Office Space		
	033	Relocation Expenses		
	034	Miscellaneous	--	545
	035	Payroll Tax	4,640	1,623
		Total Administration Expenditures	$ 852,025	$ 408,984

271,820

- 282,9[illegible]

- 26,186

542,718

RO 550 000

SCHOOL DISTRICT #2
(Name of School Board)

Instruction Expenditures

Year Ended June 30, 1998
(With comparative figures for the six months ended June 30, 1997)

			1998	1997
52	010	**Instructional Salaries (Gross)**	$	$
	011	Teachers' Salaries - Regular	14,162,391	7,406,245
	012	- Substitute	354,624	199,782
	013	- Board Paid	--	
	014	Teachers' Severance	3,323,880	--
	015	Employee Benefits		
	016	School Secretaries - Salaries & Benefits	269,030	154,660
	017	Payroll Tax	5,027	2,284
	018	Other (Specify) - Student Assistants	99,697	--
			18,214,649	7,762,971
52	040	**Instructional Materials**		
	041	General Supplies	309,426	67,951
	042	Library Resource Materials	--	35,945
	043	Teaching Aids		
	044	Textbooks	72,882	--
			382,308	103,896
52	060	**Instructional Furniture and Equipment**		
	061	Replacement	475,774	2,639
	062	Rentals and Repairs	5,333	2,790
			481,107	5,429
50	080	**Instructional Staff Travel**		
	081	Program Co-ordinators	76,653	24,251
	082	Teachers' Travel	46,843	21,122
	083	Inservice and Conferences	82,445	34,965
			205,941	80,338
52	090	**Other Instructional Costs**		
	091	Postage and Stationery and Copier Costs	107,749	34,924
	092	Miscellaneous - French Monitor	23,360	8,819
		- Computer Support Specialist	33,396	--
			164,505	43,743
		Total Instruction Expenditures	$19,448,510	$ 7,996,377

SCHOOL DISTRICT #2

(Name of School Board)

Operations and Maintenance Expenditures - Schools

Year Ended June 30, 1998
(With comparative figures for the six months ended June 30, 1997)

			1998	1997
53	011	Salaries and Benefits - Janitorial	$ 1,122,758	$ 559,846
	012	- Maintenance	307,013	52,334
	013	Payroll Tax	22,890	9,015
	014	Electricity	332,761	179,331
	015	Fuel	354,919	263,164
	016	Municipal Service Fee	27,675	26,451
	017	Telephone	117,285	56,515
	018	Vehicle Operating and Travel	47,560	13,453
	019	Janitorial Supplies	59,102	27,477
	021	Janitorial Equipment	3,214	--
	022	Repairs and Maintenance - Buildings	350,612	57,130
	023	- Equipment		
	024	Contracted Services - Janitorial		
	025	Snow Clearing	61,520	47,803
	026	Rentals	14,415	2,208
	027	Other (Specify)		
		Total Operations and Maintenance	$ 2,821,724	$ 1,294,727

Operations [illegible]

[illegible]

[illegible]

[illegible]

[illegible]

[illegible]

Schedule 5

SCHOOL DISTRICT #2

(Name of School Board)

Pupil Transportation Expenditure

Year Ended June 30, 1998

(With comparative figures for the six months ended June 30, 1997)

			1998	1997
54	010	**Operation and Maintenance of Board Owned Fleet**		
	011	Salaries and Benefits - Administration	$ 16,970	$ 3,005
	012	- Drivers and Mechanics	247,083	92,800
	013	Payroll Tax	4,178	1,441
	014	Debt Repayment - Interest	--	1,166
	015	- Principal	--	81,449
	016	Bank Charges		
	017	Gas and Oil	69,171	14,282
	018	Licenses	6,075	1,795
	019	Insurance	3,328	1,624
	021	Repairs and Maintenance - Fleet	37,632	16,344
	022	- Building		
	023	Tires and Tubes	5,316	1,229
	024	Heat and Light		
	025	Municipal Service		
	026	Snow Clearing	2,000	1,250
	027	Office Supplies		
	028	Rent		
	029	Travel	700	250
	031	Professional Fees	500	--
	032	Miscellaneous - Bus Radios	5,376	1,867
	033	Telephone	300	125
	034	Vehicle Leases		
			398,629	218,627
54	040	**Contracted Services**		
	041	Regular Transportation	775,857	456,096
	042	Handicapped	129,449	87,007
			905,306	543,103
		Pupil Transportation Expenditures	$1,303,935	$ 761,730

SCHOOL DISTRICT #2

(Name of School Board)

Ancillary Services and Miscellaneous Expenses

Year Ended June 30, 1998

(With comparative figures for the six months ended June 30, 1997)

Schedule 6

Ancillary Services

The Board owns and operates the following ancillary services:

			1998	1997
55		**Ancillary Services**		
	011	Operation of Teachers' Residences	$	$
	031	Cafeterias		
	032	Other (Specify)		
			$ NIL	$ NIL

Schedule 7

Miscellaneous Expenses (Specify)

The Board has incurred the following miscellaneous expenses:

			1998	1997
57	011	**Miscellaneous Expenses (Specify)**	$ NIL	$ NIL

Schedule 8

SCHOOL DISTRICT #2

(Name of School Board)

Details of Property and Equipment

Year Ended June 30, 1998

		Balance July 1 1997	Additions	Disposals	Balance June 30, 1998
12 210	**Land and Sites**				
211	Land and Sites	$ 642,536	$ 2,186	$	$ 644,722
12 220	**Buildings**				
221	Schools	34,375,037	7,352		34,382,389
222	Administration	47,803			47,803
223	Residential	21,289			21,289
224	Recreational				
225	Other (Specify)				
		34,444,129	7,352		34,451,481
12 230	**Furniture and Equip.**				
231	Schools	2,102,344			2,102,344
232	Administration	90,213			90,213
233	Residential				
234	Recreation				
235	Other (Specify)				
		2,192,557			2,192,557
12 240	**Vehicles**				
241	Service Vehicles	20,354			20,354
12 250	**Pupil Transportation**				
251	Land				
252	Building				
253	Vehicles - Buses	322,586			322,586
254	- Service				
255	Equipment				
256	Other (Specify)				
		322,586			322,586
12 260	**Misc. Capital Assets**				
261	Other (Specify)				
	Total Property and Equipment	$37,622,162	$ 9,538	$	$37,631,700

Schedule 9

SCHOOL DISTRICT #2
(Name of School Board)

Details of Long Term Debt

Year Ended June 30, 1998

Bank loans, mortgage and debentures,
approved by the Board and the Government
of Newfoundland and Labrador

		1998	1997
22 210	Loans Other than Pupil Transportation		
	Ref. #		
211	**Bank Loans**		
	___ Repayable $_____monthly, maturing _____	$	$
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	Total 211	NIL	NIL
212	**Mortgages**		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	Total 212	NIL	NIL
213	**Debentures**		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	Total 213	NIL	NIL
214	Other (Please Specify)		
	Subtotal	NIL	NIL
215	Less Current Maturities		
	Total Loans Other Than Pupil Transportation	NIL	NIL

SCHOOL DISTRICT #2
(Name of School Board)

Details of Long Term Debt

Year Ended June 30, 1998

		1998	1997
22 220	Loans - Pupil Transportation		
Ref. #			
221	**Vehicle Bank Loans**		
	___ Repayable $_____monthly, maturing _____	$	$
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	Total 221	NIL	NIL
222	**Land, Buildings and Equipment Bank Loans**		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	___ Repayable $_____monthly, maturing _____		
	Total 222	NIL	NIL
	Subtotal	NIL	NIL
223	Less Current Maturities		
	Total Loans - Pupil Transportation	NIL	NIL
Total Long Term Debt		$ NIL	$ NIL

SCHOOL DISTRICT #2

(Name of School Board)

Summary of Long Term Debt

Year Ended June 30, 1998

Description	Ref. #	Rate	Balance Beginning of Year	Loans Obtained During Year	Principal Repayment for Year	Balance End of Year
A) School Construction						
B) Equipment						
C) Service Vehicles						
D) Other						
E) Pupil Transportation						
Total Loans			$ NIL	$ NIL	$ NIL	$ NIL

SCHOOL DISTRICT #2
(Name of School Board)

Schedule of Current Maturities

Year Ended June 30, 1998

Description	Year 1	Year 2	Year 3	Year 4	Year 5
A) School Construction	$	$	$	$	$
B) Equipment					
C) Service Vehicles					
D) Other					
E) Pupil Transportation					
Total	$ NIL	$ NIL	$ NIL	$ NIL	$ NIL

SCHOOL DISTRICT #2

(Name of School Board)

56 010

Schedule of Interest Expense

Year Ended June 30, 1998

	Description	1998	1997
012	**Capital**	$	$
	School Construction	--	4,751
	Equipment		
	Service Vehicles		
	Other (Specify)		
	Total Capital	$ --	$ 4,751
013	**Current** - Operating Loans		
014	- Supplier Interest Charges		
	Total Current	$ --	$ 4,751
	Total Interest Expense	$ --	$ 4,751

SCHOOL DISTRICT #2
(Name of School Board)

Supplementary Information

Year Ended June 30, 1998

			19 98	19 97
1.		**Cash**		
		Current		
11	110	Cash on Hand and in Bank		
	111	Cash on Hand	$ 534	$ 3,409
	112	Bank - Current	--	603,125
	113	- Savings		
	114	- Teachers' Payroll	9,525	17,427
	115	- Non Teachers' Payroll		
	116	- Coupon (Debenture)		
	117	- Other (Specify)		
		Capital		
11	210	Cash on Hand and in Bank		
	211	Cash on Hand		
	212	Bank - Current		
	213	- Savings	--	(119)
	214	- Other (Specify)		
		Total Cash on Hand & in Bank	$ 10,059	$ 623,842

			19 98	19 97
2.		**Short Term Investments**		
		Current		
11	121	Term Deposits	$ 5,173	$ 5,173
	122	Canada Savings Bonds		
	123	Other (Specify)		
		Capital		
11	221	Term Deposits		
	222	Canada Savings Bonds		
	223	Other (Specify)		
		Total Short Term Investments	$ 5,173	$ 5,173

SCHOOL DISTRICT #2
(Name of School Board)

Supplementary Information

Year Ended June 30, 1998

			1998	1997
3.		Prepaid Expenses		
		Current	$	$
11	141	Insurance	557	542
	142	Municipal Service Fees		
	143	Supplies	7,920	8,250
	144	Other (Specify) - Travel	4,500	15,069
		Capital		
11	241	Other (Specify)		
			$ 12,977	$ 23,861

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND

FINANCIAL STATEMENTS

31 MARCH 1998

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the High Sheriff of Newfoundland
St. John's, Newfoundland

I have audited the balance sheet of the Office of the High Sheriff of Newfoundland as at 31 March 1998 and the statement of receipts and disbursements for the year then ended. These financial statements are the responsibility of the High Sheriff. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Office of the High Sheriff of Newfoundland as at 31 March 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
31 March 1999

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND

BALANCE SHEET

31 MARCH 1998

	1998	1997
ASSETS		
Trust bank account (Note 2)	$238,908	$157,828
Revenue bank account (Note 3)	11,928	-
Trial and jury bank account (Note 4)	9,144	30,456
Accounts receivable	137,459	54,614
Inventory held in trust	12,698	658,091
	$410,137	$900,989
LIABILITIES		
Trust account, court orders	$290,916	$774,738
Trial and jury account, accountable advance (Note 4)	20,000	35,000
Due to Consolidated Revenue Fund (Note 3)	96,649	85,430
Accounts payable	2,572	5,821
	$410,137	$900,989

See accompanying notes

Signed on behalf of the Office: ____________________

High Sheriff

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND

STATEMENT OF RECEIPTS AND DISBURSEMENTS

FOR THE YEAR ENDED 31 MARCH 1998

	1998	1997
RECEIPTS		
Court orders	$2,052,283	$2,006,828
Service fees	1,090,556	567,085
Registration fees, court orders	187,113	37,625
Interest, trust bank account	6,177	11,901
Replenishment of trial and jury bank account	44,314	41,425
	$3,380,443	$2,664,864
DISBURSEMENTS		
Court orders	$2,052,283	$1,572,748
Miscellaneous expenses and payments to third parties re: court orders	-	177,931
Payments to Consolidated Revenue Fund	1,283,846	872,760
Trial and jury expenses	44,314	41,425
	$3,380,443	$2,664,864

See accompanying notes

OFFICE OF THE HIGH SHERIFF OF NEWFOUNDLAND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1998

Authority

The Office of the High Sheriff of Newfoundland (the Office) operates under the authority of the Judgement Enforcement Act and Regulations, implemented 1 June 1997, and the Sheriff's Act. The Office is the enforcement arm of the Supreme Court of Newfoundland and the Provincial Courts (the Courts), and has the responsibility of enforcing all monetary judgements issued by the Courts. This includes the attachment and seizure of real and personal property. The Office is also responsible for the service of court documents, the administration of the Jury System and for Court Security.

1. Significant accounting policies

These financial statements have been prepared by the Office of the High Sheriff of Newfoundland in accordance with generally accepted accounting principles. Outlined below is the significant accounting policy followed.

Inventory held in trust

This account consists of items seized as a result of court orders. These items are recorded at either appraised value or, if subsequently sold, amounts realized through the subsequent sale. Items which have subsequently been released to the defendant for nil proceeds are recorded at appraised value.

2. Trust bank account

A trust bank account has been established to accommodate the receipt of funds collected from defendants and the payment of these funds to plaintiffs.

3. Revenue bank account

A revenue bank account was established 1 May 1997 to accommodate the receipt of revenues collected for various services provided by the Office and the payment of these revenues to the Consolidated Revenue Fund.

4. Trial and jury bank account

The Office of the High Sheriff of Newfoundland is responsible for jury administration in the Province and maintains a recurring accountable advance of $20,000 (1997 - $35,000) in the trial and jury bank account to pay expenses associated with this duty. This advance is replenished as required throughout the year by claims submitted to the Department of Justice.

5. Related party transactions

(a) Consolidated Revenue Fund

Fees for searches, registration of court orders and service of documents are collected and paid into the Consolidated Revenue Fund.

5. Related party transactions (Cont.)

(b) Administration expenditures

For administrative purposes the Office of the High Sheriff of Newfoundland operates as a division of the Department of Justice. Expenses related to salaries, accommodations and administration are paid directly by the Department and no provision is made in these financial statements for those expenditures.

6. Income taxes

The Office of the High Sheriff of Newfoundland is a division of the Department of Justice and as such is not subject to Provincial or Federal income taxes.

7. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or other third parties, will be fully resolved.

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Grant Thornton

Chartered Accountants

Peninsulas Health Care Corporation Consolidated Financial Statements

March 31, 1999

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Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Auditors' Report

To the Directors of the
Peninsulas Health Care Corporation

We have audited the consolidated statement of financial position of the Peninsulas Health Care Corporation as at March 31, 1999, and the consolidated statements of operations, changes in net assets and cash flow for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and cash flow for the year then ended in accordance with generally accepted accounting principles.

St. John's, Newfoundland
July 26, 1999

Grant Thornton
Chartered Accountants

P. O. Box 8037
ICON Building
187 Kenmount Road
St. John's
Newfoundland
A1B 3M7
Tel (709) 722-5960
Fax (709) 722-7892

Peninsulas Health Care Corporation
Consolidated Statement of Operations

Year Ended March 31	1999	1998
Revenue		
Provincial plan - department's approved operating budget	$ 37,282,322	$ 35,762,817
MCP physician revenue	5,584,636	5,173,889
Resident revenue – long term care	2,084,193	2,025,076
Outpatient	269,687	231,108
Inpatient	152,530	219,743
Mortgage interest subsidies	111,661	111,661
Other (Note 9)	720,484	644,772
	46,205,513	44,169,066
Expenditure		
Nursing inpatient services	13,922,854	13,880,301
Support services	10,470,783	10,113,063
Medical services	7,658,141	7,177,307
Diagnostic and therapeutic services	6,876,324	6,568,058
Administration	4,580,639	4,626,491
Ambulatory care services	2,812,153	2,835,182
Education	276,798	201,568
Other	632,391	146,218
	47,230,083	45,548,188
Deficit prior to non-shareable items	(1,024,570)	(1,379,122)
Adjustment for non shareable items		
Amortization of deferred capital equipment grants	1,612,055	1,566,149
Depreciation	(1,612,055)	(1,566,149)
Accrued severance expense – increase	(544,349)	(473,972)
Accrued vacation expense – increase	(264,290)	(105,617)
Long term debt principal	-	(298,300)
Board operations – net	(135,419)	(17,673)
	(944,058)	(895,562)
Excess of expenditure over revenue	$(1,968,628)	$(2,274,684)

See accompanying notes to the consolidated financial statements.

Peninsulas Health Care Corporation
Consolidated Statement of Changes in Net Assets
Year Ended March 31, 1999

	Deficit	Invested in Capital Assets	Board Fund	Total 1999	Total 1998
Balance, beginning of year	$ (8,612,476)	$ 208,026		$ (8,404,450)	$(6,129,766)
Excess of expenditure over revenue	(1,833,209)		$ (135,419)	(1,968,628)	(2,274,684)
Special funding from Department of Health and Community Services for prior years' deficit	3,868,000			3,868,000	
Transfer from operating fund	(135,419)		135,419		
Balance, end of year	$ (6,713,104)	$ 208,026	$ Nil	$ (6,505,078)	$ (8,404,450)

See accompanying notes to the consolidated financial statements.

Peninsulas Health Care Corporation
Consolidated Statement of Financial Position

March 31	1999	1998
Assets		
Current		
Receivables (Note 3)	$ 9,398,542	$ 1,574,803
Inventories (Note 4)	800,946	769,009
Prepaid expenses	187,168	186,964
	10,386,656	2,530,776
Capital assets (Note 5)	12,678,957	12,311,347
Restricted use funds (Note 6)	211,966	188,602
	$ 23,277,579	$ 15,030,725
Liabilities		
Current		
Bank indebtedness	$ 4,615,479	$ 2,311,049
Payables and accruals	4,480,645	3,535,063
Accrued vacation pay	1,576,691	1,312,401
Deferred contribution - capital	1,754,678	549,204
Deferred contribution - operating	565,164	43,328
Current portion of long term debt	192,495	125,521
	13,185,152	7,876,566
Restricted use funds (Note 6)	211,966	188,602
Long term debt (Note 7)	6,216,444	6,179,726
Accrued severance pay	3,762,211	3,217,862
	23,375,773	17,462,756
Deferred contributions		
Unamortized portion of capital grants (Note 8)	6,406,884	5,972,419
	29,782,657	23,435,175
Net Assets (Deficiency)		
Net assets invested in capital assets	208,026	208,026
Deficit	(6,713,104)	(8,612,476)
	(6,505,078)	(8,404,450)
	$ 23,277,579	$ 15,030,725

Commitments and Contingencies (Notes 11 and 12)

Uncertainty (Note 13)

On behalf of the Board

Director Director

See accompanying notes to the consolidated financial statements.

Peninsulas Health Care Corporation
Consolidated Statement of Cash Flow

Year Ended March 31	1999	1998
Cash derived from (applied to)		
Operating		
Excess of expenditure over revenue	$(1,968,628)	$(2,274,684)
Depreciation		
Operating fund	1,612,055	1,566,149
Board fund	10,488	10,168
Amortization of deferred capital grants	(1,612,055)	(1,566,149)
	(1,958,140)	(2,264,516)
Change in non-cash operating working capital (Note 10)	(506,349)	1,233,559
	(2,464,489)	(1,030,957)
Financing		
Deferred capital grants from		
Province of Newfoundland	1,888,772	594,754
Other sources	157,747	210,916
Contributions to cover long term debt	185,662	402,182
Repayment of long term debt	(185,662)	(402,182)
Proceeds from capital lease	289,354	181,300
	2,335,873	986,970
Investing		
Proceeds from sale of capital assets	-	298,300
Purchase of capital assets	(2,175,814)	(1,157,725)
	(2,175,814)	(859,425)
Net decrease in cash	(2,304,430)	(903,412)
Bank indebtedness		
Beginning of year	(2,311,049)	(1,407,637)
End of year	$(4,615,479)	$(2,311,049)

See accompanying notes to the consolidated financial statements.

Peninsulas Health Care Corporation
Notes to the Consolidated Financial Statements
March 31, 1999

1. Nature of operations

The Peninsulas Health Care Corporation assumed the assets and liabilities of the Clarenville Area Hospital Board, the Clarenville Area Housing Corporation, the Burin Peninsula Health Care Board, and the Bonavista Peninsula Health Care Board effective January 1, 1996.

These consolidated financial statements reflect on a combined basis, the assets, liabilities, fund balances, revenue and expenditure of the predecessor entities and the Board Fund.

2. Summary of significant accounting policies

Inventories

Inventory of drugs, medical and surgical supplies are valued at cost, determined on the first-in first-out basis.

Capital assets

The Corporation has control over certain land, buildings and equipment, with the title resting with the Province of Newfoundland. These assets are not recorded under capital assets.

Capital grants and donations

Capital grants and donations relating to the acquisition of capital assets are recorded as deferred credits and amortized on the same basis as the related assets are depreciated.

Depreciation

Rates and bases of depreciation applied to write off the cost of property and equipment over their estimated lives are as follows:

Land improvements	10%,	straight line
Buildings	10-20 years,	straight line
Building service equipment	10%,	straight line
Equipment	3-15 years,	straight line
Computer hardware	20%,	straight line
Computer software	33 1/3%,	straight line
Vehicles	25%,	declining balance

Revenue on operating assets

Revenue earned on the operating assets of the Corporation are reflected in the separate financial statements of the Board Fund.

Pension costs

Employees of the Corporation are covered by the Public Service Pension Plan and the Government Money Purchase Plan administered by the Province of Newfoundland. Contributions to the plans are required from both the employees and the Corporation. The annual contributions for pensions are recognized in the accounts on a current basis.

2. Summary of significant accounting policies (cont'd.)

Severance pay

Severance pay is accounted for on accrual basis and is calculated based upon years of service and current salary levels. The right to be paid severance pay vests with employees with nine years of continual service, and accordingly no provision has been made in the accounts for employees with less than nine years of continual service. The amount is payable when the employee ceases employment with the Corporation.

---

3. Receivables

	1999	1998
Operating		
Provincial plan	$ 5,582,933	$ 241,884
Insurance plans and individuals	225,032	376,281
Newfoundland Medical Care Commission	700,100	281,346
Sundry	366,201	207,127
	6,874,266	1,106,638
Capital		
Provincial plan, equipment	2,393,400	308,200
Other		
Cottage Complexes	99,776	158,614
Burin Peninsula Health Care Foundation Inc.	31,100	1,351
	130,876	159,965
	$ 9,398,542	$ 1,574,803

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4. Inventories

	1999	1998
Medical, surgical, and other supplies	$ 611,995	$ 546,302
Drugs	188,951	222,707
	$ 800,946	$ 769,009

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5. Capital assets

			1999	1998
	Cost	Accumulated Depreciation	Net Book Value	Net Book Value
Land and land improvements	$ 231,442	$ 45,214	$ 186,228	$ 208,649
Buildings	13,573,102	6,585,933	6,987,169	7,198,303
Equipment	17,567,286	12,066,260	5,501,026	4,894,433
Vehicles	155,661	151,127	4,534	9,962
	$ 31,527,491	$ 18,848,534	$ 12,678,957	$ 12,311,347

6. Restricted use funds

The administrators of the nursing homes, on a voluntary basis, administer certain personal funds held in trust for residents. These funds do not form part of assets of the organization and accordingly a corresponding liability is recorded representing the amount of funds held by the nursing homes.

7. **Long term debt**	1999	1998
9.5% Royal Bank of Canada mortgage, payable in monthly instalments of $34,433 including interest. The mortgage is being amortized over 29 years and is secured by land, building and contents.	$ 3,967,077	$ 4,005,895
8% Canada Mortgage and Housing Corporation mortgage, payable in monthly instalments of $7,777 including interest. The mortgage matures in 2025 and is secured by land, buildings and equipment.	1,039,611	1,050,621
10.5% Canada Mortgage and Housing Corporation mortgage, payable in monthly instalments of $7,549 including interest. The mortgage matures in 2027 and is secured by land and buildings.	833,596	837,987
Housing mortgages with rates ranging from 6.25% to 8.95% maturing between April 1, 2000 and October 1, 2001.	171,896	198,761
Obligation under capital leases.	396,759	211,983
	6,408,939	6,305,247
Less: current portion	192,495	125,521
	$ 6,216,444	$ 6,179,726

Principal payments on mortgages required during the next five years are as follows:

2000	$ 86,000
2001	$ 92,700
2002	$ 101,900
2003	$ 111,300
2004	$ 126,500

7. Long term debt (cont'd.)

The Corporation leases equipment under capital leases. Future minimum lease payments under the capital leases are as follows:

2000	$ 149,316
2001	137,161
2002	120,144
2003	83,658
2004	17,874
	508,153
Amount representing interest	111,394
	$ 396,759

To reduce the cost of borrowing, Canada Mortgage and Housing Corporation provides an amount to reduce the effective interest rate on the mortgages. The assistance is subject to regulations and conditions during the amortization of the mortgages.

8. Deferred contributions

Capital grants received by the Corporation are deferred and amortized on the same basis as the depreciation rate for the related asset purchased. The changes in the deferred capital grants balance for the year are as follows:

	1998	1998
Balance, beginning of year	$ 5,972,419	$ 6,732,898
Capital grants	2,046,520	805,670
Amortization for the year	(1,612,055)	(1,566,149)
Balance, end of year	$ 6,406,884	$ 5,972,419

9. Other revenue

	1999	1998
Dietary recoveries	$ 255,178	$ 248,340
Wage recovery	182,299	166,679
Medical/surgical supplies and drugs	166,181	98,378
Rent	51,161	55,561
Miscellaneous	65,665	75,814
	$ 720,484	$ 644,772

10. Change in non-cash operating working capital

	1999	1998
Receivables	$(3,955,739)	$ 158,842
Inventories	(31,937)	(113,495)
Prepaid expenses	(204)	(64,779)
Payables and accruals	945,582	319,260
Vacation pay accrual	264,290	105,617
Accrued severance pay	544,349	473,972
Deferred contribution - capital	1,205,474	325,346
Deferred contribution - operating	521,836	28,796
	$ (506,349)	$ 1,233,559

11. Commitments

The Corporation is committed to the following lease payments: 2000 - $140,222; 2001 - $133,026; 2002 - $103,161; 2003 - $57,877 and 2004 - $44,781.

12. Contingencies

a) The amounts receivable from the Province of Newfoundland under the insured services plan are subject to final approval and acceptance from the financial services Division of the Department of Health and Community Services.

b) As of March 31 1999 there were a number of claims against the Corporation in varying amounts for which no provision has been made. It is not possible to determine the amounts, if any, that may ultimately be assessed against the Corporation with respect to these claims, but management believes that any claims, if successful, will be covered by liability insurance.

13. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Peninsulas Health Care Corporation
Consolidated Operating Expenditures

For the Year Ended March 31	1999	1998
Nursing inpatient services		
Nursing administration	$ 817,187	$ 771,692
Medical/surgical unit	3,728,954	3,921,701
Intensive care	1,229,902	1,231,159
Obstetrics	1,131,445	1,178,422
Operating room and recovery	1,377,383	1,315,672
Long-term care	5,637,983	5,461,655
	13,922,854	13,880,301
Support services		
Housekeeping	1,786,483	1,818,545
Laundry and linen	602,270	614,316
Facilities management	2,991,367	2,923,050
Records and registration	1,884,365	1,621,927
Nutritional services	3,206,298	3,133,381
Pastoral care and volunteer services		1,844
	10,470,783	10,113,063
Medical services		
Medical services	7,294,732	6,864,482
External clinics	363,409	312,825
	7,658,141	7,177,307
Diagnostic and therapeutic services		
Laboratory services	3,390,364	3,296,738
Diagnostic imaging	1,258,637	1,158,142
ECG	52,933	45,000
Respiratory	175,232	170,309
Pharmacy	699,788	639,379
Clinical nutrition	196,500	170,418
Physiotherapy	331,110	335,790
Occupational therapy	87,977	73,542
Speech pathology	137,712	160,658
Social work	201,245	195,823
Mental health	-	8,067
Recreational therapy	344,826	314,192
	6,876,324	6,568,058

Peninsulas Health Care Corporation
Consolidated Operating Expenditures

For the Year Ended March 31	1999	1998
Administration		
Administration	$ 2,027,269	$ 2,018,173
Communications/public relations	5,392	71,012
Infection control	26,283	26,154
Quality initiatives	52,875	69,781
Financial services	502,837	506,554
Human resources	444,333	416,557
Computer services	382,569	322,912
Telecommunications	94,145	193,744
Materials management	1,044,936	1,001,604
	4,580,639	4,626,491
Ambulatory care services		
Emergency and outpatients	2,712,168	2,601,573
Day surgery	-	157,181
Diabetic education	99,985	76,428
	2,812,153	2,835,182
Education		
Education	276,798	201,568
Other		
Other	632,391	146,218
Total operating expenditures	$ 47,230,083	$ 45,548,188

Peninsulas Health Care Corporation
Operating Fund
Revenue and Expenditure for Government Reporting

For the Year Ended March 31	1999	1998
Revenue		
Provincial plan – department's approved operating budget	$ 37,282,322	$ 35,762,817
MCP physician revenue	5,584,636	5,173,889
Resident revenue – long term care	2,084,193	2,025,076
Outpatient	269,687	231,108
Inpatient	152,530	219,743
Mortgage interest subsidy	111,661	111,661
Other	720,484	644,772
Total revenue	46,205,513	44,169,066
Expenditure		
Salaries	31,310,044	29,746,156
Employee benefits	5,146,337	4,963,990
Supplies – regular	7,844,519	8,010,512
Supplies – drugs	1,243,890	1,145,643
Supplies – medical and surgical	949,488	994,376
Long term debt – interest	550,144	583,629
Long term debt – principal	81,084	44,033
Capital lease – principal	104,577	59,849
Total shareable expenditure	47,230,083	45,548,188
Deficit from operations	(1,024,570)	(1,379,122)
Non-shareable items		
Amortization of deferred capital equipment grants	1,612,055	1,566,149
Long term debt principal	-	(298,300)
Depreciation	(1,612,055)	(1,566,149)
Accrued vacation expense - increase	(264,290)	(105,617)
Accrued severance expense - increase	(544,349)	(473,972)
Board operation - net	(135,419)	(17,673)
Deficit inclusive of non-shareable items	$ (1,968,628)	$ (2,274,684)

Peninsulas Health Care Corporation
Accumulated Operating Deficit for Government Reporting

Year Ended March 31

	Consolidated Fund		Operating Fund		Board Fund	
	1999	1998	1999	1998	1999	1998
Current assets						
Cash	$ 17,431	$ 30,484			$ 17,431	$ 30,484
Receivables	9,398,542	1,574,803	$ 9,397,018	$ 1,571,379	1,524	3,424
Inventory	800,946	769,009	800,946	769,009		
Prepaid expenses	187,168	186,964	187,168	186,964		
Due from board fund			18,955	44,396		
	10,404,087	2,561,260	10,404,087	2,571,748	18,955	33,908
Current liabilities						
Bank indebtedness	4,632,910	2,341,533	4,632,910	2,341,533		
Payables and accruals	4,480,645	3,535,063	4,480,645	3,535,063		
Deferred contributions						
- operating	565,164	43,328	565,164	43,328		
- capital	1,754,678	549,204	1,754,678	549,204		
Due to operating fund					18,955	44,396
	11,433,397	6,469,128	11,433,397	6,469,128	18,955	44,396
Accumulated operating deficit	$(1,029,310)	$(3,907,868)	$(1,029,310)	$(3,897,380)	-	$ (10,488)

Peninsulas Health Care Corporation
Capital Fund
Funding and Expenditures for Government Reporting

Year Ended March 31	1999	1998
Sources of funds		
Provincial capital equipment grant in current year	$ 3,012,900	$ 920,100
Add: deferred capital grant from prior year	549,204	223,858
Less: deferred capital grant from current year	(1,673,332)	(549,204)
	1,888,772	594,754
Other contributions		
Cross Memorial Health Foundation	102,500	90,000
Burin Peninsula Health Care Foundation	78,828	100,000
Proceeds from capital lease	289,354	181,300
Other sources	24,556	20,916
Less: deferred grant for current year	(81,346)	-
	413,892	392,216
Total funding	2,302,664	986,970
Expenditure		
Capital purchases	2,175,814	1,157,725
Surplus (deficit) on capital purchases	$ 126,850	$ (170,755)

PROVINCE OF NEWFOUNDLAND POOLED PENSION FUND

FINANCIAL STATEMENTS

31 DECEMBER 1998

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Trustee
Province of Newfoundland
Pooled Pension Fund
St. John's, Newfoundland

I have audited the statement of net assets available for benefits of the Province of Newfoundland Pooled Pension Fund as at 31 December 1998 and the statement of changes in net assets available for benefits for the year then ended. These financial statements are the responsibility of the Fund's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Fund as at 31 December 1998 and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
8 March 1999

PROVINCE OF NEWFOUNDLAND POOLED PENSION FUND

STATEMENT OF NET ASSETS AVAILABLE FOR BENEFITS
31 DECEMBER 1998

	1998 (000's)	1997 (000's)
ASSETS		
Investments (Note 2)		
Short term notes and deposits	$ 103,565	$ 96,467
Bonds and debentures	501,826	358,238
Equities - Canadian	692,010	602,396
- Foreign	395,199	367,965
Real estate	6,532	13,455
	1,699,132	1,438,521
Accounts receivable		
Employee contributions	2,507	2,242
Employer contributions	2,465	2,363
Accrued investment income	7,109	6,284
	12,081	10,889
Due from Province of Newfoundland	-	4,307
Cash	1,553	27
Total assets	1,712,766	1,453,744
LIABILITIES		
Accounts payable and accrued liabilities	1,790	3,564
Refunds payable	138	308
Due to Province of Newfoundland	407	-
Total liabilities	2,335	3,872
NET ASSETS AVAILABLE FOR BENEFITS	**$1,710,431**	**$1,449,872**

See accompanying notes

Signed on behalf of the Fund: ______________________
Minister of Finance
Trustee

____
Philip J. Wall
Chairperson, Pension Investment Committee

PROVINCE OF NEWFOUNDLAND POOLED PENSION FUND
STATEMENT OF CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
FOR THE YEAR ENDED 31 DECEMBER 1998

	Public Service Pension Plan (000's)	Teachers' Pension Plan (000's)	Uniformed Services Pension Plan (000's)	Members of the House of Assembly Pension Plan (000's)	1998 Total (000's)	1997 Total (000's)
Increase in net assets						
Investments (Note 3)						
Investment income	$ 38,718	$ 13,055	$ -	$ -	$ 51,773	$ 49,238
Gain on sale of investments	90,798	31,820	-	-	122,618	93,266
Current period change in market value of investments	(20,184)	(7,096)	-	-	(27,280)	61,087
	109,332	37,779	-	-	147,111	203,591
Contributions						
Employee	46,303	26,784	1,600	288	74,975	67,024
Employer (Note 4)	74,812	191,407	1,565	287	268,071	98,864
Deficiency guarantee from Province of Newfoundland (Note 4)	-	-	7,523	2,509	10,032	8,896
	230,447	255,970	10,688	3,084	500,189	378,375
Decrease in net assets						
Pensions	100,960	105,247	10,510	3,044	219,761	201,376
Refund of contributions with interest	10,456	2,242	88	-	12,786	14,351
Administrative costs (Note 5)	5,279	1,674	90	40	7,083	6,040
	116,695	109,163	10,688	3,084	239,630	221,767
Total increase in net assets	113,752	146,807	-	-	260,559	156,608
Net assets available for benefits, beginning of year	1,074,028	375,844	-	-	1,449,872	1,293,264
Net assets available for benefits, end of year	$1,187,780	$522,651 (Note 6)	$ -	$ -	$1,710,431	$1,449,872

See accompanying notes

PROVINCE OF NEWFOUNDLAND POOLED PENSION FUND

NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 1998

Authority and description

The Province of Newfoundland Pooled Pension Fund (the Fund) was created 1 July 1980 under the authority of the Pensions Funding Act for the purpose of providing for the funding of pension plans sponsored by the Province as outlined below. The affairs of the Fund are managed by the Minister of Finance, as Trustee of the Fund. Section 9 of the Act states that where there are insufficient assets to meet the obligations of the Fund, or the equity apportioned to a plan is insufficient to meet the obligations of the plan, the Minister shall pay out of the Consolidated Revenue Fund sufficient monies as may be necessary to cover the deficiency.

The following pension plans participate in the Fund: Public Service Pension Plan, Teachers' Pension Plan, Uniformed Services Pension Plan and Members of the House of Assembly Pension Plan.

(a) Public Service Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering full-time employees of the Government of the Province of Newfoundland and various Crown corporations, agencies and commissions created by or under a Statute of the Province.

(ii) Employee contributions

Employee contributions are equal to 7.1% of the Canada Pension Plan (CPP) basic exemption, plus 5.3% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (YMPE) under the CPP, plus 7.1% of the employee's salary in excess of the YMPE.

(iii) Accrued service pensions

A service pension is available based on the number of years of pensionable service times 2% of the member's best five years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after 1 April 1967. This reduction factor itself is reduced by 0.5% for each month under age 65 if the retired member elects to receive CPP benefits earlier than age 65.

Employees who have reached age 50 and have at least 30 years of service are permitted to retire with a 0.5% reduction in pension benefit for each month under age 55.

Authority and description (cont.)

(a) Public Service Pension Plan (cont.)

(iii) Accrued service pensions (cont.)

Employees who have reached age 55 and have 30 years of service may retire with an unreduced pension. Employees age 55 or greater with less than 30 years service and with age and service equal to 85 may retire with a pension reduced by 0.5% for each month under age 60.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the spouse (and on the spouse's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

(vi) Death refunds

A refund of the employee's contributions with interest is payable when a survivor pension is not payable.

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension.

(b) Teachers' Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering teachers employed by school boards or the Province of Newfoundland and full-time employees of the Newfoundland and Labrador Teachers' Association.

PROVINCE OF NEWFOUNDLAND POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 1998

Authority and description (cont.)

(b) Teachers' Pension Plan (cont.)

(ii) Employee contributions

Employee contributions are equal to 8.5% of salary.

(iii) Accrued service pensions

A service pension is available based on 1/45th of the member's best five years average salary times years of pensionable service prior to 1 January 1991, plus 2% of the member's best five years average salary times years of pensionable service after 1 January 1991. When a member who retired after 31 August 1998 reaches age 65, this pension is reduced by 0.6% of the member's best five years average salary up to average YMPE times years of pensionable service after 1 April 1967. This reduction factor itself is reduced by 0.5% for each month under age 65 if the retired member elects to receive CPP benefits earlier than age 65.

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the spouse (and on the spouse's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service.

(vi) Death refunds

A refund equal to employee's contributions with interest is payable when a survivor pension is not payable.

(vii) Termination benefits

On termination of employment, a teacher may elect to receive a refund of the teacher's own contributions with interest or, if the teacher has at least five years pensionable service, may elect to receive a deferred pension.

(c) Uniformed Services Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering members of the Royal Newfoundland Constabulary, the St. John's Regional Fire Department and Her Majesty's Penitentiary.

Authority and description (cont.)

(c) Uniformed Services Pension Plan (cont.)

(ii) Employee contributions

Employee contributions are equal to 8.5% of the Canada Pension Plan (CPP) basic exemption, plus 6.7% of the employee's salary between the CPP basic exemption and the Year's Maximum Pensionable Earnings (YMPE) under the CPP, plus 8.5% of the employee's salary in excess of the YMPE. Grandfathered members contribute an additional 3.5% of salary, which is also matched by the Province.

(iii) Accrued service pensions

A service pension is available based on the number of years of pensionable service times 2% of the member's best three years average salary. When a retired member reaches age 65, this pension is reduced by 0.6% of the member's best three years average salary up to average YMPE times years of pensionable service after 1 April 1967. This reduction factor itself is reduced by 0.5% for each month under age 65 if the retired member elects to receive CPP benefits earlier than age 65. Grandfathered members have higher service pensions in recognition of higher contributions (as set out in Employee contributions above).

(iv) Disability pensions

A disability pension equal to the accrued service pension is available on permanent incapacity at any age with a minimum of five years pensionable service.

(v) Survivor pensions

A survivor pension of 60% of the member's accrued service pension is paid to the spouse (and on the spouse's death, to dependent children) following the death of a pensioner, a deferred pensioner or an employee with at least five years pensionable service. Lower survivor pensions are payable to survivors of grandfathered members.

(vi) Death refunds

A refund of the employee's contributions with interest is payable when a survivor pension is not payable.

Authority and description (cont.)

(c) Uniformed Services Pension Plan (cont.)

(vii) Termination benefits

On termination of employment, an employee may elect to receive a refund of the employee's own contributions with interest or, if the employee has at least five years pensionable service, may elect to receive a deferred pension.

(d) Members of the House of Assembly Pension Plan

(i) General

The Plan is a contributory defined benefit pension plan covering Members of the House of Assembly.

(ii) Member contributions

Members and Ministers are each required to pay 8% of their pensionable salary during the time served as a Member or Minister (may exclude first term). Effective 1 April 1999 the contribution rate shall increase to 9%.

(iii) Accrued service pensions

A service pension is available, subject to age and years of service criteria, after serving as a Member in at least two General Assemblies and for at least five years. The Member's pension is based on a percentage of the average of the Member's pensionable salary for the best three calendar years. The percentage is calculated as 5% for each of the first ten years, 4% for each of the next five years and 2.5% for each of the next two years of service as a Member. Ministers receive an additional pension calculated similarly and based on service as a Minister and pensionable salary as a Minister (excluding Member's salary).

For Members elected for first time after 43rd General Assembly the percentage is calculated as 5% for each of the first ten years and 2.5% for each of the next ten years. For all members who retired after 31 March 1998, when they reach age 65, this pension is reduced by 0.6% of the member's best three years average salary up to average YMPE times years of pensionable service after 1 April 1967. This reduction factor itself is reduced by 0.5% for each month under age 65 if the retired member elects to receive CPP benefits earlier than age 65.

Authority and description (cont.)

(d) Members of the House of Assembly Pension Plan (cont.)

(iv) Disability pensions

A disability pension equal to the greater of the accrued service pension or 40% of pensionable salary is available if a Member becomes permanently disabled.

(v) Survivor pensions

A survivor pension of the greater of 60% of the accrued service pension or 25% of the last pensionable salary the Member received is paid to the spouse following the death of a Member who is eligible for a service pension. A benefit of 1/6th of the spouse's allowance is payable for each surviving dependent child (1/3rd if no surviving spouse).

(vi) Death refunds

A refund of the Member's contributions with interest is payable when a survivor pension is not payable.

(vii) Termination benefits

A Member who ceases to be a Member may elect to receive a refund of contributions with interest or, subject to eligibility criteria, may elect to receive a deferred pension.

1. Significant accounting policies

These financial statements have been prepared by the Fund's management in accordance with generally accepted accounting principles. The financial statements present the aggregate financial position of the Fund as a separate financial reporting entity. They are prepared to assist plan members and others in reviewing the activities of the Fund for the fiscal period but they do not portray the funding requirements of the various plans or the benefit security of individual plan members. Outlined below are the significant accounting policies followed.

(a) Gains and losses on investments

The cost of sales for all investment dispositions is calculated as the weighted average of their costs.

PROVINCE OF NEWFOUNDLAND POOLED PENSION FUND
NOTES TO FINANCIAL STATEMENTS
31 DECEMBER 1998

1. Significant accounting policies (cont.)

(b) Investment income

Investment income is allocated to the pension plans under the Fund based on the respective equity position of each plan after giving effect to a time weighting of receipts and disbursements. The proportionate share of investment income is then attributed to each plan.

Investment income consists of the following:

(i) Dividend income which is recognized as of the date of record for North American equities and as of the date of receipt for non-North American equities.

(ii) Bank interest and interest on bonds and debentures, and short-term notes and deposits, which is recognized as it is earned.

(iii) Real estate income which is recognized as of the date of monthly distributions of net income from real estate investment.

(iv) Foreign exchange gains or losses.

2. Investments

All investments are stated at their estimated fair market value at the statement date.

(i) Short-term notes and deposits are valued at book value which approximates market value.

(ii) Bonds and debentures are valued at the last bid price on the valuation date.

(iii) Publicly traded equities are valued at the last board lot trade for a given stock. In instances where the quoted stock has not been traded on valuation date, the price of the last board lot bid price is quoted.

(iv) Real estate assets are valued at least once annually by an independent, accredited appraiser. The properties are also reviewed at least quarterly by the RT Realty Advisors Inc., Internal Appraisal Review Committee and appraisal staff.

Investments in real estate have, over a period of several years, declined in market value from a cost of $11.0 million to the market value as at 31 December 1998 of $6.5 million, a difference of $4.5 million. The financial statements include market value changes and as such, these declines are reflected as they occur.

PROVINCE OF NEWFOUNDLAND POOLED PENSION FUND

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 1998

3. Increase in net assets, investments

	1998 (000's)	1997 (000's)
Canadian common stock	$ 1,445	$ 78,856
Foreign common stock	97,887	82,502
Bonds and debentures	40,542	33,660
Short-term notes and deposits	5,020	3,587
Real estate	2,217	4,986
	$147,111	$203,591

4. Funding policy

In accordance with legislation, the Province's funding requirement is to match employee contributions for current service. A matching of contributions may also occur for certain other types of prior service, which may be purchased under contract (see Note 7).

Also, the Province pays into the Fund amounts required to cover any actual plan deficiencies which may occur. A plan deficiency occurs when pension payments, refunds of contributions and administrative costs exceed a plan's fund balance.

In 1997, as part of efforts to address the unfunded liability in the Public Service Pension Plan, Government made a $30 million special payment to the Fund. Government has also announced that it will contribute a further $30 million during the 1998-99 fiscal year. Every year after that Government, in accordance with legislation, will continue with payments of at least $40 million per year until the pre-1980 debt is repaid.

In 1998, as part of efforts to address the unfunded liability in the Teachers' Pension Plan, Government, in accordance with legislation, made a $166 million special payment to the Fund. Government will again make a special payment of $166 million in 1999 and will continue to pay $76 million per year until the pre-1980 debt is repaid. Government is also proposing to increase the contributions for employees and employers.

5. Administrative costs

Administrative costs are direct costs of the Department of Finance, Pensions Division, and are allocated to the various pension plans based upon a combination of expenses directly attributable to a plan, the number of members participating in the various pension plans and a time weighing of receipts and disbursements. Administrative costs are comprised as follows:

5. Administrative costs (cont.)

	1998 (000's)	1997 (000's)
Investment management, consulting and custodial fees	**$4,052**	$3,574
Salaries	**1,563**	1,554
Computer charges	**949**	449
Other expenses	**213**	239
Medical and professional fees	**90**	95
Actuarial consulting fees	**216**	129
	$7,083	$ 6,040

6. Teachers' Pension Plan

The Teachers' Pensions Act was amended, effective 1 September 1998, to discontinue the Teachers' Ancillary Pension Plan and incorporate it into the main Teachers' Pension Plan.

7. Obligations for pension benefits

The present value of accrued pension benefits was determined using the projected benefit method prorated on service and the best estimate assumptions of the Trustee of the Province of Newfoundland Pooled Pension Fund. Actuarial valuations were performed for each plan as of the valuation dates noted below by a firm of consulting actuaries. The unfunded liabilities at the most recent valuation date are shown in the following table:

Plan	**Valuation Date**	**Actuarial Present Value** (000's)	**Asset Value** (000's)	**Unfunded Liability** (000's)
Public Service Pension Plan	12/31/94	$1,765,258	$696,521	$1,068,737
Teachers' Pension Plan	08/31/96	1,772,536	344,357	1,428,179
Uniformed Services Pension Plan	1/1/97	176,479	-	176,479
Members of the House of Assembly Pension Plan	12/31/94	35,991	-	35,991
		$3,750,264	$1,040,878	$2,709,386

7. Obligations for pension benefits (cont.)

The actuarial present values for the Public Service Pension Plan, the Teachers' Pension Plan and the Uniformed Services Pension Plan include the effects of future pension benefits accruing to members for periods of prior service that are being purchased under contract. These contracts provide for deferred payment terms, subject to interest, and have not been recognized in the Fund's assets. As at 31 December 1998, the total estimated value of payments to be received on these contracts is $4.5 million (1997 - $4.6 million).

8. Related party transactions

The following investments were held by the Fund as at 31 December 1998:

Description	Face Value (000's)	Market Value (000's)
Province of Newfoundland Debentures - Maturing from 2003-05-12 to 2028-04-17	$16,697	$17,807
Newfoundland and Labrador Hydro Debentures - Maturing on 2002-10-10 to 2026-02-27	6,950	8,042
	$23,647	$25,849

9. Portfolio management

In accordance with an agreement dated 1 February 1997, between the Minister of Finance as Trustee of the Province of Newfoundland Pooled Pension Fund and the Royal Trust Corporation of Canada, custodial and administrative services for the Fund are performed by the Corporation, as agent for the Trustee.

As at 31 December 1998, the external investment fund counselling group was comprised of the following firms:

Beutel, Goodman & Company Ltd.
Connor, Clark & Lunn Investment Management Ltd.
RT Capital Management Inc.
RT Realty Advisors Inc.
Sprucegrove Investment Management
Mulvihill Capital Management Inc.
Baillie Gifford Overseas Limited
Independence Investment Associates Inc.
J.R. Senecal & Associates Investment Counsel Inc..

10. Financial instruments

The Fund's financial instruments recognized in the Statement of Net Assets Available for Benefits consist of investments, the carrying value of which is described in Note 2, and accounts receivable, due from Province of Newfoundland, cash, accounts payable and accrued liabilities, refunds payable, and due to Province of Newfoundland, the carrying value of which approximate fair value due to the normal trade credit terms and conditions of those instruments.

11. Income taxes

The Fund is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Board of Directors
Provincial Advisory Council on the Status
of Women - Newfoundland and Labrador
St. John's, Newfoundland

I have audited the balance sheet of the Provincial Advisory Council on the Status of Women - Newfoundland and Labrador as at 31 March 1999 and the statement of revenue, expenditure and equity for the year then ended. These financial statements are the responsibility of the Council's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Council as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
18 May 1999

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR

BALANCE SHEET

31 MARCH 1999

	1999	1998
ASSETS		
Current		
Cash	$11,198	$14,509
Accounts receivable	9,186	10,975
Prepaid expenses	11,633	12,770
	32,017	38,254
Capital assets (Note 2)	44,883	46,306
	$76,900	$84,560
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 5,757	$10,296
Long-term debt payable within one year	1,978	1,339
	7,735	11,635
Long-term debt (Note 3)	42,906	44,968
	50,641	56,603
Equity	26,259	27,957
	$76,900	$84,560

Contingent liability (Note 13)

See accompanying notes

Signed on behalf of the Council: Joyce M. Hancock **President** Dorothy Inglis **Member**

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR
STATEMENT OF REVENUE, EXPENDITURE AND EQUITY
FOR THE YEAR ENDED 31 MARCH 1999

	1999		1998
	Actual	Budget	Actual
REVENUE			
Women's Centres grant (Note 4)	$210,000	$210,000	$ -
Province of Newfoundland operating grant	204,050	191,266	214,946
Women in Resource Development grant (Note 5)	20,000	-	-
Miscellaneous (Note 6)	5,904	1,331	13,970
Government of Canada grants	2,641	-	2,930
	442,595	402,597	231,846
EXPENDITURE			
Amortization	1,423	-	1,303
Capital assets	1,809	4,317	7,381
Council meetings	27,214	24,000	24,549
Interest on long-term debt	4,429	4,396	4,721
Operating expenses	43,233	29,938	39,189
Project expenses	2,621	-	2,520
Salaries and employee benefits	133,564	123,582	136,512
Women's Centres grants (Note 4)	210,000	210,000	-
Women in Resource Development grant (Note 5)	20,000	-	-
	444,293	396,233	216,175
Excess of (expenditure over revenue) revenue over expenditure	(1,698)	6,364	15,671
Equity, beginning of year	27,957	27,957	12,286
Equity, end of year	$ 26,259	$ 34,321	$ 27,957

See accompanying notes

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
31 MARCH 1999

Authority

The Provincial Advisory Council on the Status of Women - Newfoundland and Labrador (the Council) was established under the Status of Women Advisory Council Act. The purpose of the Council is to advise the Minister responsible for the Status of Women, the Government and the public on matters of interest and concern to women. Its affairs are managed by a Board of Directors appointed by the Lieutenant-Governor in Council.

1. Significant accounting policies

These financial statements have been prepared by the Council in accordance with generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. Outlined below is the significant accounting policy followed.

Capital assets

Capital assets are capitalized at cost at the time of acquisition. Assets financed by debt are amortized as the debt is repaid. Minor capital asset purchases are charged to operations in the year of acquisition.

2. Capital assets

	1999			1998
	Cost	Accumulated Amortization	Net Book Value	Net Book Value
Land and building	$121,052	$ 76,169	$44,883	$46,306
Furniture, fixtures and equipment	85,140	85,140	-	-
Books, films and publications	4,008	4,008	-	-
	$210,200	$165,317	$44,883	$46,306

3. Long-term debt

	1999	1998
Royal Trust first mortgage bearing interest at a rate of 6.85%, repayable in blended monthly instalments of $416; renewable 1 July 1999, maturing 1 January 2013	$44,884	$46,307
Less: current portion	1,978	1,339
	$42,906	$44,968

The long-term debt is secured by land and building at 131 LeMarchant Road in St. John's.

The annual principal repayments of long-term debt required over the next five years are as follows:

2000	$1,978
2001	$2,118
2002	$2,268
2003	$2,428
2004	$2,600

4. Women's Centres grant

In March 1998, the Council entered into an agreement with the Women's Policy Office whereby $30,000 in funding would be provided to each of seven Status of Women Councils in the Province, for provision of core services in Women's Centres. Under the agreement, the Council is responsible for administering the disbursement of these funds on behalf of the Women's Policy Office. All Women's Centres funding provided for under the agreement, totalling $210,000, was received by the Council and disbursed during the year.

5. Women in Resource Development grant

In June 1998, the Council entered into an agreement with Development Services International of Canada whereby $20,000 in funding would be provided for Women in Resource Development initiatives, the aim of which is to increase women's economic autonomy. Under the agreement, the Council is responsible for administering the disbursement of these funds on behalf of Development Services International of Canada. All funding provided for under the agreement was received by the Council and disbursed during the year.

6. Miscellaneous revenue

	1999 Actual	1999 Budget	1998 Actual
Project services	$4,530	$ -	$ 8,603
Province of Newfoundland - salary subsidy	-	-	4,264
Other	1,374	1,331	1,103
	$5,904	$1,331	$13,970

7. Lease commitments

The Council has entered into agreements requiring lease payments for office equipment for the next three years as follows:

2000	$4,358
2001	$2,418
2002	$ 506

8. Pensions

Council staff are subject to the Public Service Pensions Act. Employee contributions are matched by the Council and remitted to the Province of Newfoundland Pooled Pension Fund from which pensions will be paid to employees when they retire. The Council's share of pension contributions for 1999 was $6,245 (1998 - $4,108).

9. Economic dependence

As the Council's revenue consists primarily of operating grants from the Province, its ability to continue viable operations is dependent upon the decisions of the Province.

10. Financial instruments

The Council's financial instruments recognized in the balance sheet consist of cash, accounts receivable, accounts payable and accrued liabilities, and long-term debt, the carrying value of which approximate fair value due to the short-term maturity or current market rate associated with these instruments.

PROVINCIAL ADVISORY COUNCIL ON THE STATUS OF WOMEN - NEWFOUNDLAND AND LABRADOR
NOTES TO FINANCIAL STATEMENTS
31 MARCH 1999

11. Income taxes

The Council is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

12. Comparative figures

Certain comparative figures have been reclassified to conform to the current year's presentation.

13. Contingent liability

A former employee has submitted a complaint against the Council with the Provincial Human Rights Commission. The likelihood of loss and estimated amount of ultimate loss relating to this complaint is not determinable at this time. The Council has requested that the Provincial government provide funding to mitigate any losses which may arise with respect to this complaint.

14. Uncertainty due to Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or other third parties, will be fully resolved.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Chairperson and Members
Provincial Information and Library Resources Board
St. John's, Newfoundland

I have audited the balance sheet of the Provincial Information and Library Resources Board as at 31 March 1999 and the statement of revenue, expenditure and surplus for the year then ended. These financial statements are the responsibility of the Board's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at 31 March 1999 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
11 June 1999

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

BALANCE SHEET

31 MARCH 1999

	1999	1998
ASSETS		
Current		
Cash	$ 556,529	$ 548,911
Accounts receivable (Note 2)	1,288,533	463,236
Prepaid expenses (Note 3)	144,571	165,110
	1,989,633	1,177,257
Capital assets (Note 4)	-	-
	$1,989,633	$1, 177,257
LIABILITIES AND SURPLUS		
Current		
Accounts payable and accrued liabilities (Note 5)	$ 473,951	$ 316,215
Deferred revenue	568,732	13,821
Deposits - local libraries (Note 6)	3,912	13,028
	1,046,595	343,064
Severance pay liability	768,210	766,344
	1,814,805	1,109,408
Surplus	174,828	67,849
	$1,989,633	$1, 177,257

See accompanying notes

Signed on behalf of the Board: ______________ **Chairperson** ______________ **Member**

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

STATEMENT OF REVENUE, EXPENDITURE AND SURPLUS

FOR THE YEAR ENDED 31 MARCH 1999

	1999 Actual	1999 Budget (Note 7)	1998 Actual
REVENUE			
Province of Newfoundland - grants			
Operating	$5,744,700	$5,744,700	$5,695,537
Capital	120,000	120,000	120,000
Government of Canada - grants			
Computerization projects	689,653	79,826	650,383
Literacy projects	302	-	24,581
Capital asset disposals	17,303	-	97,500
Fines and lost library materials	41,001	60,000	53,380
Interest	58,859	24,000	25,321
Miscellaneous	56,702	-	85,644
	6,728,520	6,028,526	6,752,346
EXPENDITURE			
Bad debts	40,000	-	-
Books and periodicals	435,179	434,564	404,655
Capital asset additions	354,730	79,013	360,176
Computer services	1,421	-	3,330
Computerization of libraries	603,308	432,484	479,040
Conferences and workshops	1,614	3,000	3,049
Freight and postage	40,582	51,000	40,134
Grants			
Operating - local libraries (Schedule)	373,537	385,000	386,528
Capital - local libraries (Schedule)	104,146	100,000	72,729
Heat and light	5,800	7,500	7,219
Insurance	27,088	30,067	30,055
Literacy projects	302	-	24,581
Miscellaneous	677	1,750	921
Office and library supplies	73,671	128,534	73,259
Professional fees	5,370	5,600	4,800
Rental of premises	84,025	84,024	86,276
Repairs and maintenance	12,139	20,000	10,472
Salaries and benefits	4,352,115	4,650,403	4,433,549
Telephone	47,199	60,000	55,131
Travel	58,638	78,000	65,350
	6,621,541	6,550,939	6,541,254
Excess of revenue over expenditure (expenditure over revenue)	106,979	(522,413)	211,092
Surplus (Deficit), beginning of year	67,849	67,849	(143,243)
Surplus (Deficit), end of year	$ 174,828	$ (454,564)	$ 67,849

See accompanying notes

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

SCHEDULE OF GRANTS TO LOCAL LIBRARIES

FOR THE YEAR ENDED 31 MARCH 1999

	1999		1998	
	Operating Grant	Capital Grant	Operating Grant	Capital Grant
Eastern Division				
Arnold's Cove	$ 1,183	$ -	$ 1,158	$ -
Bay Roberts	61,079	750	62,637	475
Bell Island	2,025	-	2,061	-
Bonavista	3,494	-	3,733	-
Brigus	5,787	-	5,816	603
Burin	2,692	31,900	5,163	-
Carbonear	6,321	13,786	5,898	750
Catalina	3,068	-	3,170	-
Clarenville	12,785	-	13,714	-
Conception Bay South	6,537	-	8,443	-
Fortune	830	-	731	-
Fox Harbour	869	-	517	-
Garnish	1,240	-	1,188	-
Grand Bank	5,890	-	7,821	6,070
Harbour Grace	3,229	4,300	3,863	77
Holyrood	5,391	-	5,372	275
Marystown	5,168	1,400	6,001	619
Mount Pearl	11,243	-	12,552	-
Old Perlican	1,780	-	972	-
Placentia	12,488	361	16,431	1,398
Pouch Cove	1,396	-	1,834	-
St. Brides	6,135	-	7,260	-
St. Lawrence	994	-	819	-
Southern Harbour	3,164	-	3,152	-
Torbay	2,265	-	2,337	-
Trepassey	5,396	-	5,906	830
Victoria	479	-	701	-
Whitbourne	2,716	-	2,437	-
Winterton	911	450	1,105	-
	176,555	52,947	192,792	11,097

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD
SCHEDULE OF GRANTS TO LOCAL LIBRARIES (Cont.)
FOR THE YEAR ENDED 31 MARCH 1999

	1999		1998	
	Operating Grant	Capital Grant	Operating Grant	Capital Grant
Central Division				
Baie Verte	4,392	-	4,804	-
Bishop's Falls	1,974	-	2,005	-
Botwood	5,155	-	4,968	-
Buchans	4,761	-	5,495	1,050
Carmanville	4,436	-	1,415	-
Centerville	1,040	-	2,891	-
Change Islands	721	-	639	-
Fogo	771	-	891	-
Gambo	933	-	976	-
Gander	16,440	9,206	17,470	-
Gaultois	5,242	-	2,967	-
Glenwood	1,561	-	1,701	-
Glovertown	1,259	-	1,109	-
Grand Falls-Windsor	2,522	-	2,907	-
Greenspond	3,254	-	4,413	587
Harbour Breton	2,571	-	2,055	-
Hare Bay	5,848	-	3,123	-
Harry's Harbour	2,119	-	2,652	600
Hermitage	2,845	-	3,115	-
King's Point	2,080	-	2,358	-
LaScie	3,037	-	2,517	-
Lewisporte	5,916	-	6,594	-
Lumsden	1,085	-	1,155	-
Musgrave Harbour	1,508	-	1,563	-
Norris Arm	1,374	-	1,328	-
Point Leamington	967	-	825	-
Robert's Arm	2,754	-	1,205	-
St. Albans	3,856	240	3,650	-
Seal Cove	950	-	1,167	-
Springdale	1,233	-	1,148	-
Summerford	1,792	-	1,419	-
Twillingate	1,469	-	1,510	-
Wesleyville	1,798	-	1,648	349
	97,663	9,446	93,683	2,586

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

SCHEDULE OF GRANTS TO LOCAL LIBRARIES (Cont.)

FOR THE YEAR ENDED 31 MARCH 1999

	1999		1998	
	Operating Grant	Capital Grant	Operating Grant	Capital Grant
Western Newfoundland - Labrador Division				
Bay St. George South	49	-	46	-
Burgeo	812	-	1,191	-
Cape St. George	1,034	450	850	-
Cartwright	760	-	772	-
Churchill Falls	654	-	73	-
Codroy Valley	62	-	108	-
Cormack	1,460	-	1,289	-
Corner Brook	4,081	3,402	4,467	-
Cow Head	4,058	341	4,387	-
Daniel's Harbour	617	-	803	-
Deer Lake	10,636	13,248	11,569	964
Happy Valley	2,034	-	2,760	-
Labrador City	14,618	1,118	10,649	-
L'Anse au Loup	2,969	-	918	-
Lark Harbour	681	-	728	-
Lourdes	1,521	-	1,359	-
Norris Point	1,514	370	1,676	-
Pasadena	3,507	-	2,375	-
Port au Port	2,273	50	3,508	492
Port aux Basques	8,204	-	9,864	22,300
Port Saunders	3,462	-	3,683	2,888
Ramea	945	-	919	700
Rocky Harbour	3,242	-	3,627	-
St. Anthony	4,096	-	3,903	-
St. Georges	807	-	765	-
St. Lunaire-Griquet	2,256	-	2,555	-
Sops Arm	148	-	97	-
Stephenville	17,175	22,774	19,460	31,702
Stephenville Crossing	571	-	431	-
Wabush	2,738	-	2,838	-
Woody Point	2,335	-	2,383	-
	99,319	41,753	100,053	59,046
	$373,537	$104,146	$386,528	$72,729

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

The Provincial Information and Library Resources Board (the Board) operates under the authority of the Public Libraries Act. The purpose of the Board is to operate the public libraries in the Province. A majority of the members of the Board are appointed by the Lieutenant-Governor in Council. The Board reports to the Minister of Education.

1. Significant accounting policies

These financial statements have been prepared by the Board's management in accordance with generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. Outlined below are the significant accounting policies followed.

(a) Reporting entity

The reporting entity for the purpose of these financial statements is the Board's head office and divisional offices. The Board's head office includes Administration, Technical Services and the Provincial Resource Library. These financial statements include expenditures for operating and capital grants made to 93 local libraries under the jurisdiction of the three divisional library boards detailed in the schedule to the statements. Funds raised by these local libraries in excess of the grants provided by the Board or any expenditures in excess of these grants are not reflected in these financial statements.

(b) Capital assets

All capital assets are capitalized at cost at the time of acquisition and are charged to expenditure in the year of acquisition.

(c) Severance pay

The calculation of severance pay is based upon years of service and current salary levels. The entitlement to severance pay vests with employees after nine years of continuous service, and accordingly no provision has been made in the accounts for employees with less than nine years of continuous service. The amount is payable when the employee ceases employment with the Board. If the employee transfers to another entity included in the public service, then the liability is transferred with the employee to the other entity.

2. Accounts receivable

	1999	1998
Federal Government		
HST/GST	$ 32,900	$183,473
Other	245,064	33,707
Provincial Government	968,854	23,296
Local board computerization	35,394	71,758
Town of Placentia	-	56,000
Other	46,321	95,002
	1,328,533	463,236
Less: Allowance for Doubtful Accounts	40,000	-
	$1,288,533	$463,236

The accounts receivable balance includes an amount of $35,394 (1998 - $71,758) relating to amounts which local boards have agreed to contribute towards the cost of computerization in their respective libraries.

3. Prepaid expenses

Prepaid expenses of $144,571 (1998 - $165,110) include inventory of supplies of $47,575 (1998 - $48,377) on hand in the Board's head office and the three divisional library board offices.

4. Capital assets

	1999	1998
Motor vehicles	$ 169,566	$ 101,588
Furnishings and equipment	2,485,490	2,235,065
	2,655,056	2,336,653
Less: expensed in year of acquisition	2,655,056	2,336,653
	$ -	$ -

The above does not reflect the capital assets purchased by the local library boards either alone or with the support of the Board, assets donated to the local library boards or assets purchased for the local library boards by the Board.

5. Accounts payable and accrued liabilities

	1999	1998
Accounts payable	$190,472	$ 57,459
Accrued salaries and benefits	283,479	258,756
	$473,951	$316,215

6. Deposits - local libraries

Funds raised by some local libraries have been deposited with the Board to cover the cost of wages for additional opening hours and for the purchase of books, periodicals and computers. The balance on deposit at 31 March 1999 was $3,912 (1998 - $13,028).

7. Budget

The 1999 budgeted expenditure exceeded the Province's current year provision for operating and capital grants for the Board. The difference will be funded from cash surpluses carried forward from prior years.

8. Lease agreements

The Board has entered into lease agreements for the rental of photocopiers, microfiche readers and postal equipment and various rental properties throughout the Province which require the Board to make payments as follows:

2000	$185,866
2001	$179,555
2002	$150,739
2003	$123,880
2004	$112,547

9. Pensions

Under the Public Libraries Act, Board staff are subject to the Public Service Pensions Act. Employee contributions are matched by the Board and then remitted to the Province of Newfoundland Pooled Pension Fund from which pensions will be paid to employees when they retire. The Board's share of pension contributions for 1999 was $175,811 (1998 - $170,275).

10. Income taxes

The Board is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

PROVINCIAL INFORMATION AND LIBRARY RESOURCES BOARD

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

11. Economic dependence

As a result of the Board's reliance on Provincial funding, the Board's ability to continue viable operations is dependent upon the decisions of the Province.

12. Related party transaction

The accommodations and related expenses for the head office of the Board, located in the St. John's Arts and Culture Centre, is provided free of charge by the Province of Newfoundland.

13. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

14. Uncertainty due to Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or third parties, will be fully resolved.

PUBLIC ACCOUNTANTS LICENSING BOARD

FINANCIAL STATEMENTS

31 DECEMBER 1998

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Chair and Members
Public Accountants Licensing Board
St. John's, Newfoundland

I have audited the balance sheet of the Public Accountants Licensing Board as at 31 December 1998 and the statement of revenue, expenditure and equity for the year then ended. These financial statements are the responsibility of the Board. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Board as at 31 December 1998 and the results of its operations for the year then ended in accordance with generally accepted accounting principles.

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
15 June 1999

PUBLIC ACCOUNTANTS LICENSING BOARD

BALANCE SHEET

31 DECEMBER 1998

	1998	1997
ASSETS		
Current		
Cash	$ 947	$37,327
Accounts receivable	819	-
Prepaid expense	413	-
Temporary investments, at cost	15,065	-
	$17,244	$37,327
LIABILITIES AND EQUITY		
Current		
Accounts payable and accrued liabilities	$ 9,975	$ 7,445
Equity	7,269	29,882
	$17,244	$37,327

See accompanying notes

Signed on behalf of the Board: **Chair** **Member**

PUBLIC ACCOUNTANTS LICENSING BOARD

STATEMENT OF REVENUE, EXPENDITURE AND EQUITY

FOR THE YEAR ENDED 31 DECEMBER 1998

	1998	1997
REVENUE		
Licences (Note 2)	**$25,575**	$ 7,700
Interest income	**1,150**	1,297
	26,725	8,997
EXPENDITURE		
Advertising	**1,547**	2,142
Board remuneration (Note 2)	**21,535**	21,014
Insurance	**337**	-
Interest and bank charges	**127**	184
Meeting expense	**2,350**	1,483
Miscellaneous	**-**	20
Office supplies	**2,526**	346
Professional fees	**3,332**	1,214
Secretarial services	**1,193**	1,064
Telephone	**350**	905
Travel	**16,041**	12,181
	49,338	40,553
Excess of (expenditure over revenue) revenue over expenditure	**(22,613)**	(31,556)
Equity, beginning of period	**29,882**	61,438
Equity, end of period	**$ 7,269**	$29,882

See accompanying notes

PUBLIC ACCOUNTANTS LICENSING BOARD

NOTES TO FINANCIAL STATEMENTS

31 DECEMBER 1998

Authority

The Public Accountants Licensing Board (the Board) was established under authority of the Public Accountancy Act. The powers of the Board include granting licences to practice as a public accountant under the Act, keeping a roll of persons licensed and prescribing the educational standards and other qualifications of applicants for a licence.

1. Significant accounting policy

These financial statements have been prepared by the Board in accordance with generally accepted accounting principles.

2. Board operations

In a meeting held 17 November 1997, the Board approved an increase in the annual licensure fee from $25 to $100. The increase applies to licences granted for 1998 and subsequent years. As well, in a meeting held 17 February 1997, the Board approved payment of remuneration to the members, with such payments to be in accordance with Provincial Government guidelines.

3. Financial instruments

The Board's financial instruments recognized in the Balance Sheet consist of cash, temporary investments and accounts payable and accrued liabilities, the carrying value of which approximate fair value due to the normal trade credit terms and conditions of these instruments.

4. Harmonized Sales Tax

The Board registered for the Harmonized Sales Tax on 1 January 1998 and collected the tax on licences. Subsequent to the fiscal year end the Board requested a ruling from Revenue Canada whether the Board should be registered. The Board's best estimate, based on preliminary discussions with Revenue Canada, is that it will not be required to be registered for the tax and that the tax collected will be refunded to licensees. These financial statements are prepared based on the Board's best estimate and account for $3,840 taxes collected as accounts payable. Expenses are also reported tax inclusive.

5. Income taxes

The Public Accountants Licensing Board is a Crown entity and as such is not subject to Provincial or Federal income taxes.

6. Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or other third parties, will be fully resolved.

REGISTRAR OF THE SUPREME COURT OF NEWFOUNDLAND

FINANCIAL STATEMENTS

31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Registrar of the Supreme Court
of Newfoundland
St. John's, Newfoundland

I have audited the statement of fund balances of the Registrar of the Supreme Court of Newfoundland as at 31 March 1999 and the statements of changes in fund balance for the Estate/Trust Fund, Supreme Court Fund and Administration Fund for the year then ended. These financial statements are the responsibility of the Registrar. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Registrar of the Supreme Court of Newfoundland as at 31 March 1999 and the changes in fund balances for the year then ended in accordance with the accounting principles disclosed in Note 1 to the financial statements.

Elizabeth Marshall

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
8 July 1999

REGISTRAR OF THE SUPREME COURT OF NEWFOUNDLAND

INDEX TO FINANCIAL STATEMENTS

31 MARCH 1999

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Statement of Changes in Fund Balance - Supreme Court Fund " 3

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REGISTRAR OF THE SUPREME COURT OF NEWFOUNDLAND

STATEMENT OF FUND BALANCES

31 MARCH 1999

	Estate/Trust Fund (Note 2)	Supreme Court Fund (Note 3)	Administration Fund (Note 4)	1999	1998
ASSETS					
Cash	$ 1,143,720	$1,980,570	$277,049	$ 3,401,339	$ 3,685,736
Investments (Note 5)	13,978,235	219,186	520,800	14,718,221	15,124,002
Irrevocable letter of credit and securities	-	2,468,092	-	2,468,092	2,348,092
Real estate and other assets	1	-	-	1	1
Total assets	$15,121,956	$4,667,848	$797,849	$20,587,653	$21,157,831
Total Fund balances	$15,121,956	$4,667,848	$797,849	$20,587,653	$21,157,831

See accompanying notes

Signed: ______________________

Registrar

REGISTRAR OF THE SUPREME COURT OF NEWFOUNDLAND

STATEMENT OF CHANGES IN FUND BALANCE

ESTATE/TRUST FUND

FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
INCREASES		
Estate/trust assets received	**$ 3,608,417**	$ 3,050,103
Investment income	**716,714**	749,927
Pension, compensation and assistance	**1,120,769**	993,684
Revaluation of shares	**-**	23,810
Sale of chattels	**2,641**	260
Sale of real estate	**518,384**	648,577
	5,966,925	5,466,361
DECREASES		
Commissions charged and paid to Administration Fund	**252,366**	256,052
Estate/trust disbursements	**2,286,420**	2,388,374
Estates/trusts completed	**3,560,442**	2,686,410
Excess interest paid to Administration Fund	**23,482**	13,715
Harmonized Sales Tax paid to Administration Fund	**37,829**	30,926
Revaluation of shares	**6,014**	-
Unclaimed estates paid to Administration Fund	**129,018**	307,231
	6,295,571	5,682,708
Net decrease	**(328,646)**	(216,347)
Fund balance, beginning of year	**15,450,602**	15,666,949
Fund balance, end of year	**$15,121,956**	$15,450,602

See accompanying notes

STATEMENT 3

REGISTRAR OF THE SUPREME COURT OF NEWFOUNDLAND

STATEMENT OF CHANGES IN FUND BALANCE

SUPREME COURT FUND

FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
INCREASES		
Court actions	$1,493,628	$ 672,460
Divorce fees	6,510	7,250
Fees	1,043,938	956,153
Fines and bail	24,510	38,101
Investment income	129,405	91,446
Judgement recovery	200	1,735
Law Society fees	19,922	21,205
	2,718,113	1,788,350
DECREASES		
Commissions charged and paid to Administration Fund	3,040	3,060
Court actions	1,623,564	843,407
Divorce fees	6,910	7,430
Excess interest paid to Administration Fund	10,229	11,887
Fees paid to Consolidated Revenue Fund	1,078,990	955,382
Fines and bail	31,815	40,727
Judgement recovery	-	1,200
Law Society fees	20,179	21,113
	2,774,727	1,884,206
Net decrease	(56,614)	(95,856)
Fund balance, beginning of year	4,724,462	4,820,318
Fund balance, end of year	$4,667,848	$4,724,462

See accompanying notes

REGISTRAR OF THE SUPREME COURT OF NEWFOUNDLAND

STATEMENT OF CHANGES IN FUND BALANCE

ADMINISTRATION FUND

FOR THE YEAR ENDED 31 MARCH 1999

	1999	1998
INCREASES		
Commissions received from other Funds	$ 255,406	$ 259,112
Excess interest earned on other Funds	33,711	25,602
Harmonized Sales Tax received from Estate/Trust Fund	37,829	30,926
Investment income	39,238	47,646
Unclaimed amounts received from other Funds	129,018	307,231
Refund of Harmonized Sales Tax on purchases from Special Reserve	-	640
	495,202	671,157
DECREASES		
Capital assets purchased	1,870	-
Commissions paid to Consolidated Revenue Fund	249,436	260,910
Harmonized Sales Tax remitted to Federal Government	36,856	30,980
Office administration expenses	251,318	158,839
Professional fees	11,611	2,907
Unclaimed amounts paid to Consolidated Revenue Fund	129,029	307,221
	680,120	760,857
Net decrease	(184,918)	(89,700)
Fund balance, beginning of year	982,767	1,072,467
Fund balance, end of year	$ 797,849	$ 982,767

See accompanying notes

REGISTRAR OF THE SUPREME COURT OF NEWFOUNDLAND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

Authority

The Registrar of the Supreme Court of Newfoundland (the Registrar) operates under the authority of the Judicature Act.

The Registrar administers estates of deceased persons when appointed personal representative by the Court and administers trusts of minors and mentally disabled persons when appointed guardian by the Court or by virtue of Section 20 of the Mentally Disabled Persons' Estates Act. The Registrar also has custody of monies paid to the Supreme Court of Newfoundland in pending actions, as well as monies paid to Court or to the Registrar under various statutes.

1. Significant accounting policies

These financial statements are prepared on the cash basis of accounting. Outlined below are the significant accounting policies followed.

(a) Administrative expenditures

The office of the Registrar, for administrative purposes, operates as a division of the Department of Justice. Therefore, expenditures related to salaries, accommodations and administration are absorbed by the Department of Justice and no provision has been made in these financial statements for the cost of these items. However, office administration expenditures paid from the Registrar's Special Reserve Fund under Section 72(2) of the Judicature Act are recorded in these financial statements in the amount of $251,318 for the 1998-99 year (1997-98 - $158,839).

(b) Investments

Investments consist of Bank and Trust Company Guaranteed Investment Certificates, Canada Savings Bonds, mortgages, prearranged funerals, promissory notes, Registered Retirement Savings Plans and shares owned by estates at the dates of appointment of the Registrar. Such investments are recorded at face or market value, except for the mortgages and promissory notes which are recorded at face value net of principal payments received.

(c) Real estate and other assets

Real estate and other assets are recorded in these financial statements at an aggregate nominal value of $1 as valuation of these assets is not readily determinable. These assets are recorded in the client accounts at estimated market value for administrative purposes.

(d) Capital assets

Capital assets are charged to expenditure in the year of acquisition.

REGISTRAR OF THE SUPREME COURT OF NEWFOUNDLAND

NOTES TO FINANCIAL STATEMENTS

31 MARCH 1999

2. Estate/Trust Fund

The Registrar, in certain cases, is appointed by the Court as personal representative of the estates of deceased persons or as guardian of the trusts of minors and mentally disabled persons. The trust accounts of the Registrar include monies and other assets held on behalf of such estates/trusts.

3. Supreme Court Fund

Supreme Court funds consist mainly of monies received by the Registrar under, inter alia, the following Acts and Rules and Regulations thereunder:

(a) Direct Sellers Act
(b) Election Act
(c) Expropriation Act
(d) Judgement Recovery (Nfld.) Ltd. Act
(e) Judicature Act
(f) Leaseholds in St. John's Act
(g) Life Insurance Act
(h) Municipalities Act
(i) Public Utilities Acquisition of Lands Act
(j) Real Estate Trading Act
(k) Residential Tenancies Act
(l) Unified Family Court Act.

4. Administration Fund

The Administration Fund was established to record monies collected pursuant to the Rules of the Supreme Court of Newfoundland. It is comprised primarily of a Special Reserve Fund consisting of interest earned in the Estate/Trust Fund and Supreme Court Fund in excess of that allocated to clients in accordance with Section 72(1) of the Judicature Act. Other monies in the Administration Fund include commissions and undistributable assets to be paid over to the Consolidated Revenue Fund, and Harmonized Sales Tax collected on commissions to be paid over to the Federal Government.

The allocation between these categories is as follows:

	1999	1998
Special Reserve Fund	**$788,992**	$980,557
Other	**8,857**	2,210
	$797,849	$982,767

5. Investments

	1999	1998
Total investments held for all Funds is comprised of the following:		
Guaranteed Investment Certificates and Canada Savings Bonds	**$14,136,779**	$14,791,859
Mortgages	**113,326**	118,110
Prearranged funerals	**120,494**	69,490
Promissory notes	**35,921**	40,571
Registered Retirement Savings Plans	**156,598**	12,866
Shares	**155,103**	91,106
	$14,718,221	$15,124,002

6. Income taxes

The Registrar of the Supreme Court of Newfoundland is an entity of the Crown and as such is not subject to Federal or Provincial income taxes.

7. Uncertainty due to Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Registrar's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Registrar, including those related to the efforts of suppliers or third parties, will be fully resolved.

SPECIAL CELEBRATIONS CORPORATION OF NEWFOUNDLAND AND LABRADOR, INC.
FINANCIAL STATEMENTS
31 MARCH 1999

OFFICE OF THE AUDITOR GENERAL
St. John's, Newfoundland

AUDITOR'S REPORT

To the Board of Directors
Special Celebrations Corporation
of Newfoundland and Labrador, Inc.
St. John's, Newfoundland

I have audited the balance sheet of the Special Celebrations Corporation of Newfoundland and Labrador, Inc. as at 31 March 1999 and the statement of revenue and expenditure for the period 27 August 1998 to 31 March 1999. These financial statements are the responsibility of the Corporation's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at 31 March 1999 and the results of its operations for the period 27 August 1998 to 31 March 1999 in accordance with generally accepted accounting principles.

ELIZABETH MARSHALL, C.A.
Auditor General

St. John's, Newfoundland
17 June 1999

SPECIAL CELEBRATIONS CORPORATION OF NEWFOUNDLAND AND LABRADOR, INC.
BALANCE SHEET
31 MARCH 1999

ASSETS	
Current	
Cash	$ 538,814
Accounts receivable (Note 2)	3,655,369
	4,194,183
Capital assets (Note 3)	15,126
	$4,209,309
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current	
Accounts payable	$ 640,020
Deferred revenue (Note 4)	3,569,288
	4,209,308
Shareholders' equity	
Share capital	
Authorized	
500 common shares of no par value	
Issued	
500 common shares	1
	$4,209,309

See accompanying notes

Signed on behalf of the Corporation:

Chairperson

RC- Thompson

Vice-Chairperson

SPECIAL CELEBRATIONS CORPORATION OF NEWFOUNDLAND AND LABRADOR, INC.
STATEMENT OF REVENUE AND EXPENDITURE
FOR THE PERIOD 27 AUGUST 1998 TO 31 MARCH 1999

	Actual	Budget
REVENUE		
Province of Newfoundland	$1,978,573	$1,700,000
Government of Canada	358,687	358,687
Nordic Council of Countries grant	75,061	-
Gala concert - ticket sales	30,857	-
Merchandising	25,644	30,000
Sponsorship	5,000	-
Other revenue	2,500	-
	2,476,322	2,088,687
EXPENDITURE		
Advertising	17,933	12,500
Amortization	5,042	-
Anchor events (Note 5)	632,711	935,086
Exchanges '99	569	164,693
Gala concert (Note 6)	619,689	715,000
General administration (Note 7)	209,289	314,000
Merchandising	-	8,500
Promotional materials	16,558	12,500
Protocol	1,623	34,850
Provincial tour	23,019	97,500
Soirees and times	4,035	48,500
Sponsorship	20,904	12,500
Staffing	527,051	509,000
Symbolic and ceremonial	1,978	8,000
Vikings 1000	213,097	275,000
Vikings 1000 - Exhibit	182,824	125,000
	2,476,322	3,272,629
Excess of expenditure over revenue	$ -	$(1,183,942)

See accompanying notes

SPECIAL CELEBRATIONS CORPORATION OF NEWFOUNDLAND AND LABRADOR, INC.
NOTES TO FINANCIAL STATEMENTS
31 MARCH 1999

Authority

The Special Celebrations Corporation of Newfoundland and Labrador, Inc. (the Corporation) was incorporated under the Corporations Act on 27 August 1998. All shares of the Corporation are held by the Minister of Tourism, Culture and Recreation on behalf of the Province. The purpose of the Corporation is to plan, organize, manage and supervise Tourism Special Events for the Government of Newfoundland and Labrador. Its affairs are governed by a Board of Directors appointed by the Minister of Tourism, Culture and Recreation.

1. Significant accounting policies

These financial statements have been prepared by the Corporation's management in accordance with generally accepted accounting principles. The budget disclosed in these financial statements is presented on a cash basis. Outlined below is the significant accounting policy followed.

Capital assets

Capital assets are recorded at cost and amortized on a straight line basis as follows:

Computer equipment - 2 years

Capital assets purchased with Government of Canada funding are expensed in the year of acquisition as upon termination of the funding agreement the assets or proceeds from the sale of the assets are returned to the federal government.

2. Accounts receivable

Province of Newfoundland	$3,537,658
Government of Canada	14,081
City of St. John's	35,486
Harmonized sales tax	68,144
	$3,655,369

SPECIAL CELEBRATIONS CORPORATION OF NEWFOUNDLAND AND LABRADOR, INC.
NOTES TO FINANCIAL STATEMENTS
31 MARCH 1999

3. Capital assets

	Cost	Accumulated Depreciation	Net Book Value
Computer equipment	$20,168	$5,042	$15,126

4. Deferred revenue

Deferred revenue represents revenue relating to future operating periods. The revenue will be reported in the applicable future period in which it relates.

Grants received from the Province	$5,237,542
Grants received from Government of Canada	669,006
	5,906,548
Less recognized in income during year:	
Province of Newfoundland	(1,978,573)
Government of Canada	(358,687)
Balance, end of year	$3,569,288

5. Anchor events

	Actual	Budget
Canada conferences	$ 59,800	$172,000
Canada Winter Games	75,000	75,000
Federation des francophones	39,000	60,000
Festival of the Arts	389,500	460,000
Festival 500	23,511	63,786
Soiree '99 Gambo	37,500	37,500
Travel	8,400	11,050
Whales, birds and bergs	-	55,750
	$632,711	$935,086

SPECIAL CELEBRATIONS CORPORATION OF NEWFOUNDLAND AND LABRADOR, INC.
NOTES TO FINANCIAL STATEMENTS
31 MARCH 1999

6. Gala concert

	Actual	Budget
Accommodations	$ 21,300	$ 10,000
Choreography	5,400	5,000
Costumes	7,875	8,000
Entertainers fees	124,850	150,000
Laser show	-	38,000
Lighting/sound	127,123	144,000
Marketing, promotion and protocol	5,317	48,000
Miscellaneous	356	2,000
Musical arrangements and direction	33,774	24,000
Production unit	83,956	15,000
Pyrotechnics	4,300	20,000
Set	17,007	63,000
Special effects	-	28,000
Studio prerecording	4,855	10,000
Travel	33,306	32,000
Technical personnel	60,129	48,000
Tent	-	8,000
Vehicle rental	664	5,000
Venue preparation	15,900	18,000
Venue rental	73,577	39,000
	$619,689	$715,000

7. General administration

	Actual	Budget
Equipment purchased from Government of Canada funding	$ 32,082	$ 30,000
Equipment rental and maintenance	12,617	53,500
Meetings	1,190	10,000
Miscellaneous	2,194	2,500
Office rent and maintenance	91,564	108,000
Office supplies	14,164	15,000
Postage and courier	6,257	15,000
Printing and resource materials	12,941	10,000
Professional services	3,480	5,000
Salaries	21,811	30,000
Telephone and fax	1,735	18,000
Travel	9,254	17,000
	$209,289	$314,000

8. Related party transactions

The Province provided certain office equipment and furnishings at no cost to the Corporation. These contributions are not reflected in these financial statements. Certain employees of the Corporation are paid directly by the Province and the Province is reimbursed by the Corporation. During the year, the Corporation also received $5,237,542 in grants from the Province.

9. Economic dependence

As a result of the Corporation's reliance on Provincial funding, the Corporation's ability to continue viable operations is dependent upon the decisions of the Province.

10. Income taxes

The Corporation is a Crown entity of the Province of Newfoundland and as such is not subject to Provincial or Federal income taxes.

11. Uncertainty due to Year 2000

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after 1 January 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the entity, including those related to the efforts of suppliers or third parties, will be fully resolved.

SCHOOL DISTRICT No. 4

STEPHENVILLE - PORT AUX BASQUES

Year Ended June 30, 1998

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
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RICHARD C. SQUIRE
Chartered Accountant
Chartered Business Valuator

Chaulk & Brown Building, 57 Park Street
P.O. Box 248, Corner Brook, Newfoundland, A2H 6C9
Tel: (709) 634-8256 Fax: (709) 639-1647 email: earsqu@thezone.net

AUDITOR'S REPORT

To the members of School District No. 4
Stephenville - Port Aux Basques

I have audited the balance sheet of the current and capital funds of School District No. 4 as at June 30, 1998 and the related statements of current revenues, expenditures and District equity, and statement of changes in capital fund position for the year then ended. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the District as at June 30, 1998 and the results of operations and changes in its capital financial position for the year then ended in accordance with generally accepted accounting principles and as explained in note 1 to the financial statements, and are in compliance with reporting requirements established for School Districts in the Province of Newfoundland and Labrador by the Department of Education.

Richard Squire

Corner Brook, Newfoundland

September 24, 1998

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
BALANCE SHEET
June 30, 1998

	1998	1997
Assets		
Current Assets		
Cash (Supp. Info. 1)	$ 97,675	$ 232,958
Short Term Investments (Supp. Info. 2)	-	-
Accounts Receivable (Note 2)	314,268	330,842
Prepaid Expenses (Supp. Info. 3)	74,618	27,425
Total Current Assets	486,561	591,225
Property and Equipment (Schedule 8)	73,163,633	72,667,820
	$ 73,650,194	$ 73,259,045
Liabilities and Board Equity		
Current Liabilities		
Bank indebtedness (Note 3)	$ 220,367	$ -
Accounts Payable and Accrued (Note 4)	600,522	722,558
Current Maturities (Schedule 9B)	-	-
Total Current Liabilities	820,889	722,558
Long-Term Debt (Schedule 9)	-	-
Severance Pay Accrual - Teachers	6,416,707	6,499,213
- Other	431,153	349,788
	6,847,860	6,849,001
Total Liabilities	7,668,749	7,571,559
District Equity		
Investment In Capital Assets (Note 6)	73,166,751	72,399,759
Reserve Account (Note 5)	-	121,117
District Equity	(7,185,306)	(6,833,390)
Total District Equity	65,981,445	65,687,486
	$ 73,650,194	$ 73,259,045

See Accompanying Notes

Approved: Chairman

Secretary

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Statement of Current Revenues, Expenditures and Board Equity
Year Ended June 30, 1998

	1998
Current Revenues (Schedule 1)	
Provincial Government Grants	$36,501,781
Donations	-
Ancillary Services	11,039
Miscellaneous	737,567
	37,250,387
Current Expenditures	
Administration (Schedule 2)	1,141,908
Instruction (Schedule 3)	30,076,796
Operations and Maintenance (Schedule 4)	3,951,441
Pupil Transportation (Schedule 5)	2,034,992
Ancillary Services (Schedule 6)	4,584
Interest Expense (Schedule 9C)	10,258
Miscellaneous Expense (Schedule 7)	1,392
	37,221,371
23 111 Excess of Revenue over Expenditures	29,016
Transfer to/from Capital	(380,932)
Net Increase/Decrease in District Equity	(351,916)
District Equity, Beginning of Year	(6,833,390)
Subtotal	(7,185,306)
Less Transferred to Reserve Account	-
District Equity, End of Year	$ (7,185,306)

See Accompanying Notes

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Statement of Changes in Financial Position
Year Ended June 30, 1998

			1998
60		**Operating Activities**	
	011	Excess of Revenues over Expenditures	$ 29,016
	012	Changes in Non-Cash Working Capital	
	013	- Short-Term Investments	-
	014	- Accounts Receivable	16,574
	015	- Prepaid Expenses	(47,193)
	016	- Accounts Payable & Accrued Expenses	(122,036)
	017	- Current Maturities	-
	018	Other (Specify)	
		Decrease in severance pay accrual	(1,141)
			(124,780)
61		**Financing Activities**	
	011	Proceeds from Bank Loans	-
	012	Grants - Capital	240,477
	013	Other Capital Revenues	-
	014	Changes in Long-Term Debt	-
	015	Other (Specify)	
		Recovery of expenditures	93,113
		CEC Grant transferred to French Board	(55,212)
			278,378
62		**Investing Activities**	
	011	Proceeds in Sale of Capital Assets	1,565
	012	Additions to Property and Equipment	(510,813)
	013	Other (Specify)	-
			(509,248)
63		**Increase (decrease) in Cash Position**	(355,650)
64		**Cash, Beginning of the Year**	232,958
65		**Cash Position, End of the Year**	$ (122,692)

Cash position is defined as cash less bank indebtedness.

See Accompanying Notes

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Statement of Changes in Capital Fund
Year Ended June 30, 1998

			1998	1997
70		**Capital Receipts**		
71		**Proceeds from Bank Loans**		
	011	-School Construction	$ -	$ -
	012	-Equipment	-	-
	013	-Service Vehicles	-	-
	014	-Pupil Transportation	-	-
	015	-Other (Specify)	-	-
			-	-
72		**EIC Grants and Payments**		
	011	School Construction and Equipment	9,337	-
	012	Other (Specify)	-	-
			9,337	-
73		**Donations**		
	011	-Cash Receipts	-	-
	012	-Non-Cash Receipts	-	-
	013	-Restricted Use	-	-
			-	-
74		**Sale of Capital Assets - Proceeds**		
	011	-Land	-	-
	012	-Buildings	-	-
	013	-Equipment	-	-
	014	-Service Vehicles	1,565	-
	015	-Pupil Transportation Vehicles	-	-
	016	-Other (Specify)	-	-
			1,565	-
75		**Other Capital Revenues**		
	011	-Interest on Capital Fund Investments	-	-
	012	-Premiums on Debentures	-	-
	013	-Recoveries of Expenditures	54,613	-
	015	-Insurance Proceeds	-	-
	016	-Native Peoples Grants	-	-
	017	-Miscellaneous (Specify) - Deferred grants	-	266,621
		- Decrease in capital fund cash	-	2,800
		- DEC Grants	-	348,940
Total Capital Receipts			54,613	618,361
77		**Transfer from Reserve Account**	121,117	6,604
78		**Transfer to/from Current Fund**	380,932	(184,141)
Total			$ 567,564	$ 440,824

See Accompanying Notes

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Statement of Changes in Capital Fund (cont'd)
Year Ended June 30, 1998

		1998	1997
80	**Capital Disbursements**		
81	**Additions to Property & Equipment**		
011	-Land and Sites	$ 63,152	$ -
012	-Buildings	79,167	22,457
013	-Furniture & Equipment-School	325,827	3,215
014	-Furniture & Equipment-Other	29,543	345
015	-Service Vehicles	14,663	-
016	-Pupil Transportation	-	-
017	-Other (Specify)	-	-
		512,352	26,017
82	**Principal Repayment of Long Term Debt**		
011	-School Construction	-	410,422
012	-Equipment	-	4,385
013	-Service Vehicles	-	-
014	-Other (Specify)	-	-
		-	414,807
83	**Miscellaneous Disbursements**		
013	-Other (Specify) - Transfer of CEC Grant for Mainland water system to French Board	55,212	-
	Total Capital Disbursements	$ 567,564	$ 440,824

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Notes To The Financial Statements
Year Ended June 30, 1998

1. Significant Accounting Policies:

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Districts. Fund accounting can be defined as "accounting procedures in which a self balancing group of accounts is provided for each fund". It is customary for School Districts to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the District, relating to their use of fund accounting, is as follows:

(a) Grants received by the District are recorded in either the current or capital funds depending on their source. Grants from the Department of Education are treated as current revenues while those from the EIC (Education Investment Corporation) are recorded as capital revenues.

(b) Fixed asset additions are recorded at full cost in the capital fund.

(c) The District does not calculate or record depreciation on any of its fixed assets.

(d) Principal Repayment of Pupil Transportation Loans are recorded as Current Expenditures. All other principal repayment of bank loans are recorded as Capital Expenditures.

2. Accounts Receivable

	1998	1997
Current		
11 131 Provincial Government Grant	$ 85,791	$ 165,534
132 Transportation	-	27,562
133 Federal Government, HST and HRDC	212,020	106,365
136 Other School Districts	-	-
137 Rent	-	150
138 Interest	-	-
139 Travel Advances and Misc.	13,339	31,231
	311,150	330,842
Capital		
11 231 EIC - Construction Grants	3,118	-
233 Local Contributions	-	-
234 Other School Districts		-
235 Other (Specify) - Human Resources Development Canada	-	-
	3,118	-
	$ 314,268	$ 330,842

3. Bank Indebtedness - Current

	1998	1997
21 131 On Operating Credit	$ 220,367	$ -
131 On Capital Account	-	-
	$ 220,367	$ -

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Notes To The Financial Statements
Year Ended June 30, 1998

		1998	1997
4.	**Accounts Payable and Accrued**		
	Current		
21 111	Trade Payable	$ 241,920	$ 142,078
112	Accrued - Liabilities	125,230	88,907
113	- Interest	-	-
114	- Wages	-	31,771
115	Payroll Deductions	8,314	5,660
116	Retail Sales Tax	-	-
117	Deferred Grants	120,988	98,133
118	Other (Specify) - Scholarship Funds	1,151	-
124	Vacation Payable	102,919	87,849
		600,522	454,398
	Capital		
21 211	Trade Payable	-	-
212	Accrued- Liabilities	-	1,539
213	- Interest	-	-
217	Deferred Grants	-	266,621
218	Other (Specify)	-	-
		-	268,160
		$ 600,522	$ 722,558

5. Reserve Account - Capital

Description:

Humidification system for St. Stephen's High School and Lourdes High School.	$38,117
Septic system Lourdes Elementary School	60,000
Computers	23,000
	121,117

	1998	1997
Balance, beginning of year	$ 121,117	$ 24,721
Less Transfer from Reserve	(121,117)	(6,604)
	-	18,117
Add Transfer to Reserve	-	103,000
Balance, End of Year	$ -	$ 121,117

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Notes To The Financial Statements
Year Ended June 30, 1998

	1998	1997
6. **Investment in Capital Assets,** beginning of year	$ 72,399,759	$ 57,625,670
Add:		
Transfer of Operating Funds to Capital Fund	380,932	(184,141)
Grants		
EIC - Contribution for Capital Const.	10,356	-
Other -CEC - Repay Long-Term Debt	-	339,767
-CEC - Mainland Water System	55,821	-
-HRD	174,300	-
Capital Projects funded by EIC but paid directly to other sources on behalf of District	-	-
Donations - (Specify)	-	
Proceeds from Sale of Capital Assets		
- Land	-	-
- Buildings	-	-
- Equipment	-	-
- Vehicles	1,565	-
- Other	-	-
Interest on Capital Fund Investments	-	-
Recoveries of Expenditures	93,113	-
Insurance Proceeds - Capital	-	-
Native Peoples Grants - Capital	-	-
Miscellaneous (Specify)		
- Capital assets transferred from other school districts	-	14,611,859
- Expenditure from Reserve Account	121,117	6,604
	73,236,963	72,399,759
Deduct Adjustments:		
Cost of assets sold		
- Land	-	-
- Buildings	-	-
- Equipment	-	-
- Vehicles	15,000	-
- Other	-	-
	15,000	-
Other - Transfer of CEC Grant for Mainland Water System System to French Board	55,212	-
23 221 Investment in Capital Assets, end of year	$73,166,751	$72,399,759

7. Contingent Liability

As a result of the school system reorganization which occurred on January 1, 1997 certain land, buildings and equipment were transferred from the Western Integrated School Board and the Pentecostal Assembly Board of Education to School District No. 4.

Since January 1, 1997 the various School Districts have been attempting to settle their accounts relative to the liabilities associated with the assets transferred. As at June 30, 1998 and as at the issue date of these financial statements there has been no resolution of this matter. Since the liability, if any, which may arise from this matter is not determinable at this time, no accrual has been recorded in the accounts of School District No. 4.

8. Other (Please specify)

Subsequent Event

Effective July 1, 1998 School District No. 4 transferred two school buildings and furnishings to the French Board. The two schools were Ecole St. Anne and Ecole Notre Dame Du Cap. At the time of release of these financial statements, the financial effect of the transfer on property and equipment and investment in capital assets had not been determined.

Schedule 1

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Current Revenues
Year Ended June 30, 1998

		1998
Current Revenues		
32 010	**Provincial Government Grants**	
011	Regular Operating Grants	$ 5,966,800
016	Special Grants (Details on bottom of Schedule 1)	164,031
	Salaries and Benefits	
017	-Superintendent and Asst. Supts.	333,062
021	-Regular Teachers	26,658,674
022	-Substitute Teachers	824,381
023	-Students assistants	514,352
030	Pupil Transportation	
031	-District Owned	-
032	-Contracted	1,811,081
033	-Handicapped	229,400
		36,501,781
33 010	**Donations**	
012	Cash Receipts	-
013	Non Cash Receipts	-
014	Restricted Use	-
		-

Schedule 1 (cont'd)

34 010	**Ancillary Services**	
011	Revenues from Rental of Residences	11,039
021	Revenues from Rental of Schools and Facilities (Net)	-
031	Cafeterias	-
032	Other (Specify)	-
		11,039
35 010	**Miscellaneous**	
011	Interest on Investments	-
012	Bus Charters	-
021	Recoveries of Expenditures	144,088
031	Revenues from Other School Districts	-
051	Insurance Proceeds	-
061	Bilingual Education Revenue	134,147
071	Operating Rev. from Native Peoples Grant	-
081	Miscellaneous Federal Grants - HRDC	356,100
091	Textbooks	68,951
092	Sundry	34,281
		737,567
	Total Current Revenues	$37,250,387

Special Grants	
French Monitor	$ 31,458
French Co-ordinator	-
French Co-ordinator's Travel	-
French Immersion	16,650
French Materials	-
French Projects	-
School Board Election Grant	58,407
Bursary Grant - Grey River	10,000
Stellar Schools Grant	31,500
Salary Reimbursement	-
Alternate Text	-
Textbook Credit Allocation	16,016
Other (Specify)	-
	$ 164,031

Schedule 2

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Administration Expenditures
Year Ended June 30, 1998

		1998
51	Salaries and Benefits	
011	- Superintendents and Assistant Superintendents	$ 333,062
012	- District Office Personnel	379,900
013	Office Supplies	23,317
014	Replacement Furniture & Equipment	1,480
015	Postage	26,461
016	Telephone	31,553
017	Office Equipment Rentals & Repairs	15,311
018	Bank Charges	354
019	Electricity	20,526
021	Fuel	5,392
022	Insurance	1,313
023	Repairs and Maintenance (Office Building)	12,697
024	Travel	111,061
025	District Meeting Expenses	6,614
026	Election Expenses	52,429
027	Professional Fees	42,053
028	Advertising	14,377
029	Membership Dues	28,646
031	Municipal Service Fees	432
032	Rental of Office Space	18,521
033	Janitorial	7,346
034	Miscellaneous	2,997
035	Payroll Tax	6,066
	Total Administration Expenditures	$1,141,908

Schedule 3

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Instruction Expenditures
Year Ended June 30, 1998

			1998
52 010	**Instructional Salaries (Gross)**		
011	Teachers' Salaries	-Regular	$26,576,171
012		-Substitute	865,706
013		-District Paid	99,185
014	Augmentation		-
015	Employee Benefits		-
016	School Secretaries	-Salaries & Benefits	493,308
017	Payroll Tax - Secretarial		7,852
018	Student Assistants		542,549
019	Payroll Tax - Student Assistants		3,931
			28,588,702
52 040	**Instructional Materials**		
041	General Supplies		225,031
042	Library Resource Materials		57,444
043	Teaching Aids		263,122
044	Textbooks		72,643
			618,240
52 060	**Instructional Furniture & Equipment**		
061	Replacement		48,168
062	Rentals and Repairs		25,567
063	Copier Costs		122,522
			196,257
52 080	**Instructional Staff Travel**		
081	Program Co-ordinators		80,638
082	Teachers' Travel	- Within District	46,648
083		- Out of District	12,931
084	Student Travel		25,513
			165,730
52 090	**Other Instructional Costs**		
091	Postage and stationery		-
092	Miscellaneous		3,575
098	French		136,067
099	HRD Projects		368,225
			507,867
	Total Instruction Expenditures		$30,076,796

Schedule 4

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Operations and Maintenance Expenditures - Schools
Year Ended June 30, 1998

			1998
53	011	Salaries and Benefits - Janitorial	$1,200,342
	012	- Maintenance	479,639
	013	Payroll Tax	28,920
	014	Electricity	1,114,525
	015	Fuel	117,135
	016	Municipal Service Fee	48,786
	017	Telephone	213,201
	018	Vehicle Operating and Travel	49,088
	019	Janitorial Supplies	86,817
	021	Janitorial Equipment	2,837
	022	Repairs and Maintenance - Buildings	396,547
	023	- Equipment	711
	024	Contracted Services - Janitorial	116,921
	025	Snow Clearing	95,972
	026	Rentals	-
	027	Other (Specify)	-
		Total Operations and Maintenance	$3,951,441

Schedule 5

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Pupil Transportation Expenditures
Year Ended June 30, 1998

			1998
54 010	**Operation and Maintenance of Board Owned Fleet**		
011	Salaries and Benefits	- Administration	-
012		- Drivers and Mechanics	-
013	Payroll Tax		-
014	Debt Repayment	- Interest	-
015		- Principal	-
016	Bank Charges		-
017	Gas and Oil		-
018	Licenses		-
019	Insurance		-
021	Repairs and Maintenance	- Fleet	-
022		- Building	-
023	Tires and Tubes		-
024	Heat and Light		-
025	Municipal Service		-
026	Snow Clearing		-
027	Office Supplies		-
028	Rent		-
029	Travel		-
031	Professional Fees		-
032	Miscellaneous		-
033	Telephone		-
034	Vehicle leases		-
			-
54 040	**Contracted Services**		
040	Salaries and benefits		27,626
041	Regular Transportation		1,760,220
042	Handicapped		244,464
043	Miscellaneous		2,682
			2,034,992
	Pupil Transportation Expenditures		$2,034,992

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Ancillary Services and Miscellaneous Expenses
Year Ended June 30, 1998

Ancillary Services

The District owns and operates the following ancillary services:

		1998
55	**Ancillary Services**	
011	Operation of Teachers' Residences	$ 4,584
031	Cafeterias	-
032	Other (Specify)	-
		$ 4,584

Schedule 7

Miscellaneous Expenses (Specify)

The Board has incurred the following miscellaneous expenses:

		1998
57 011	**Miscellaneous Expenses (Specify)**	
	Employee Assistance Program	1,392

Schedule 8

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Details of Property and Equipment
Year Ended June 30, 1998

	Balance July 1, 1997	Additions	Disposals	Balance June 30, 1998
12 210 **Land and Sites**				
211 Land and Sites	258,482	63,152	-	321,634
12 220 **Buildings**				
221 Schools	$67,718,553	$77,628	$ -	$67,796,181
222 Administration	177,581	-	-	177,581
223 Residential	135,993	-	-	135,993
224 Recreational	-	-	-	-
225 Other (Specify)	10,000	-	-	10,000
	68,042,127	77,628	-	68,119,755
12 230 **Furniture and Equip.**				
231 Schools	4,146,488	325,827	-	4,472,315
232 Administration	100,321	26,297	-	126,618
233 Residential	1,534	-	-	1,534
234 Recreation	2,500	3,246	-	5,746
235 Other (Specify)	3,912	-	-	3,912
	4,254,755	355,370	-	4,610,125
12 240 **Vehicles**				
241 Service Vehicles	112,456	14,663	15,000	112,119
12 250 **Pupil Transportation**				
251 Land	-	-	-	-
252 Building	-	-	-	-
253 Vehicles -Buses	-	-	-	-
254 -Service	-	-	-	-
255 Equipment	-	-	-	-
256 Other (Specify)	-	-	-	-
	-	-	-	-
12 260 **Misc. Capital Assets**				
261 Other (Specify)	N/A	N/A	N/A	N/A
Total Property and Equipment	$72,667,820	$ 510,813	$ 15,000	$73,163,633

Schedule 9

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Details of Long-Term Debt
Year Ended June 30, 1998

		1998	1997
	Bank loans, mortgages and debentures, approved by the District and the Government of Newfoundland and Labrador		
22 210	Loans Other than Pupil Transportation		
Ref. #			
211	**Bank Loans**		
__	Repayable ____monthly, maturing ___	$	$
__	Repayable $____monthly, maturing ____		
__	Repayable $____monthly, maturing ____		
__	Repayable $____monthly, maturing ____		
__	Repayable $____monthly, maturing ____		
__	Repayable $____monthly, maturing ____		
	Total 211	-	-
212	**Mortgages**		
__	Repayable $____monthly, maturing ____		
__	Repayable $____monthly, maturing ____		
__	Repayable $____monthly, maturing ____		
__	Repayable $____monthly, maturing ____		
__	Repayable $____monthly, maturing ____		
__	Repayable $____monthly, maturing ____		
	Total 212	-	-
213	**Debentures**		
__	Repayable $____monthly, maturing ____		
__	Repayable $____monthly, maturing ____		
	Total 213	-	-
214	Other (Please Specify)	-	-
	Subtotal	-	-
215	Less Current Maturities	-	-
	Total Loans Other than Pupil Transportation	-	-

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Details of Long Term Debt
Year Ended June 30, 1998

		1998	1997
22 220	Loans - Pupil Transportation		
Ref. #			
221	**Vehicle Bank Loans**		
___	Repayable $___monthly, maturing ___	$	$
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
	Total 221	-	-
222	**Land, Buildings and Equipment Bank Loans**		
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
___	Repayable $___monthly, maturing ___		
	Total 222	-	-
	Subtotal	-	-
223	Less Current Maturities	-	-
	Total Loans - Pupil Transportation	-	-
Total Long-Term Debt		$ -	$ -

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Summary of Long-Term Debt
Year Ended June 30, 1998

Description	Ref. #	Rate	Balance Beginning of Year	Loans Obtained During Year	Principal Repayment for Year	Balance End of Year
A) School Construction			$ -	$ -	$ -	$ -
B) Equipment			-	-	-	-
C) Service Vehicles			-	-	-	-
D) Other			-	-	-	-
E) Pupil Transportation			-	-	-	-
Total Loans			$ -	$ -	$ -	$ -

Schedule 9B

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Schedule of Current Maturities
Year Ended June 30, 1998

Description	Year 1	Year 2	Year 3	Year 4	Year 5
A) School Construction	$ -	$ -	$ -	$ -	$ -
B) Equipment	-	-	-	-	-
C) Service Vehicles	-	-	-	-	-
D) Other	-	-	-	-	-
E) Pupil Transportation	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Schedule of Interest Expense
Year Ended June 30, 1998

			1998
56 010 Interest Expense			
	Description		
012	**Capital**		
	School Construction		$
	Equipment		
	Service Vehicles		
	Other (Specify)		
	Total Capital		
013	**Current**	- Operating Loans	10,258
014		- Supplier Interest Charges	-
	Total Current		10,258
Total Interest Expense			$ 10,258

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Supplementary Information
Year Ended June 30, 1998

		1998			1997
		Current	Capital	Combined	Combined
1.	**Cash**				
	Current				
11 110	Cash on Hand and in Bank				
111	Cash on Hand	$ 100	$ -	$ 100	$100
112	Bank - Current	-	-	-	170,267
113	- Savings	-	-	-	-
114	- Teachers' Payroll	17,593	-	17,593	5,064
115	- Non Teachers' Payroll	31,110	-	31,110	-
116	- Coupon (Debenture)	-	-	-	-
117	- Other (Specify) Schools	48,872	-	48,872	57,428
	Capital				
11 210	Cash on Hand and in Bank				
211	Cash on Hand	-	-	-	-
212	Bank - Current	-	-	-	99
213	- Savings	-	-	-	-
214	- Other (Specify)	-	-	-	-
	Total Cash on Hand & in Bank	$97,675	$ -	$ 97,675	$ 232,958
2.	**Short Term Investments**				
	Current				
11 121	Term Deposits	$ -	$ -	$ -	-
122	Canada Savings Bonds	-	-	-	-
123	Other (Specify)	-	-	-	-
	Capital				
11 221	Term Deposits	-	-	-	-
222	Canada Savings Bonds	-	-	-	-
223	Other (Specify)	-	-	-	-
	Total Short Term Investments	$ -	$ -	$ -	$ -

SCHOOL DISTRICT No. 4
Stephenville - Port Aux Basques
Supplementary Information
Year Ended June 30, 1998

		June 30 1998		June 30 1997
	Current	Capital	Combined	Combined
3. Prepaid Expenses				
Current				
11 141 Insurance	$ -	$ -	$ -	$ -
142 Municipal Service Fees	7,963	-	7,963	4,444
143 Supplies	31,770	-	31,770	-
144 Other (Specify)				
- Workers Compensation	34,375	-	34,375	22,010
- Other	510	-	510	971
Capital				
11 241 Other (Specify)	-	-	-	-
	$ 74,618	$ -	$ 74,618	$ 27,425

VISTA SCHOOL DISTRICT

Financial Statements / Auditor's Report

June 30, 1998

VISTA SCHOOL DISTRICT

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June 30, 1998

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AUDITOR'S REPORT

To the members of the **VISTA SCHOOL DISTRICT**:

I have audited the balance sheet of the current and capital funds of the **VISTA SCHOOL DISTRICT** as at June 30, 1998, and the related statements of current revenue, expenditures and District equity, and changes in financial and capital fund position for the year then ended. These financial statements are the responsibility of the District's management. My responsibility is to express an opinion on these financial statements based on my audit.

I conducted my audit in accordance with generally accepted auditing standards. Those standards require that I plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In my opinion, these financial statements present fairly, in all material respects, the financial position of the District as at June 30, 1998, and the results of its operations and the changes in its fund position for the year then ended in accordance with generally accepted accounting principles except as explained in Note 1 to the financial statements, and are in compliance with reporting requirements established for School Districts in the Province of Newfoundland and Labrador by the Department of Education.

CHARTERED ACCOUNTANT

Clarenville, Newfoundland
October 28, 1998

VISTA SCHOOL DISTRICT

Balance Sheet

June 30, 1998

	1998	1997
Assets		
Current Assets:		
Cash (Supp. Info. 1)	$ 84	28,732
Short Term Investments (Supp. Info. 2)	-	-
Accounts Receivable (Note 2)	713,993	287,299
Prepaid Expenses (Supp. Info. 3)	33,136	40,439
Total Current Assets	747,213	356,470
Capital Assets (Schedule 8)	35,824,201	35,150,400
	$ 36,571,414	35,506,870
Liabilities and District Equity		
Current Liabilities:		
Bank Indebtedness (Note 3)	$ 508,559	1,618
Accounts Payable and Accrued (Note 4)	4,265,087	4,169,650
Current Maturities (Schedule 9B)	10,000	28,349
Total Current Liabilities	4,783,646	4,199,617
Long-Term Debt (Schedule 9)	119,719	106,719
District Equity:		
Investment In Capital Assets (Note 6)	35,687,144	35,007,994
District Equity (Deficit) (Note 8(f))	(4,019,095)	(3,807,460)
Total District Equity	31,668,049	31,200,534
	$ 36,571,414	35,506,870

See Accompanying Notes

Approved: Violet Parsons Chairperson

Joanne Keough Secretary

VISTA SCHOOL DISTRICT

Statement of Current Revenue, Expenditures and District Equity

Year ended June 30, 1998

	1998	1997 (Note 8(e))
Current Revenue (Schedule 1)		
Provincial Government Grants	23,328,182	13,861,381
Donations	-	-
Ancillary Services	11,144	12,626
Miscellaneous	235,872	93,333
	23,575,198	13,967,340
Current Expenditures		
Administration (Schedule 2)	871,718	420,099
Instruction (Schedule 3)	18,656,367	10,414,126
Operations and Maintenance (Schedule 4)	2,313,038	1,256,965
Pupil Transportation (Schedule 5)	1,801,154	1,083,915
Ancillary Services (Schedule 6)	-	-
Interest Expense (Schedule 9C)	12,646	15,687
Miscellaneous Expense (Schedule 7)	-	-
Provision for Doubtful Receivables	63,958	-
	23,718,881	13,190,792
23 111 Excess of Revenue over Expenditures (Expenditures over Revenue)	(143,683)	776,548
Transfer to (from) Capital	67,952	819,509
Net Increase (Decrease) in Board Equity	(211,635)	(42,961)
District Equity (Deficit):		
Beginning of period, as previously reported	(286,095)	(243,134)
Prior Period Adjustment (Note 8(f))	(3,521,365)	(3,521,365)
As Restated	(3,807,460)	(3,764,499)
End of period	$ (4,019,095)	(3,807,460)

See Accompanying Notes

VISTA SCHOOL DISTRICT

Statement of Changes in Financial Position

Year ended June 30,1998

			1998	1997 (Note 8(e))
60		Operating Activities		
	011	Excess of Revenues over Expenditures (Expenditures over Revenue)	$ (143,683)	776,548
	012	Changes in Non-Cash Working Capital	-	-
	013	- Short-Term Investments	-	-
	014	- Accounts Receivable	(426,694)	74,367
	015	- Prepaid Expenses	7,303	(12,052)
	016	- Accounts Payable and Accrued Expenses	95,437	53,487
	017	- Current Maturities	-	-
	018	Other	-	-
			(467,637)	892,350
61		Financing Activities		
	011	Proceeds from Bank Loans	23,000	-
	012	Grants - Capital	611,198	59,251
	013	Other Capital Revenues	-	-
	014	Changes in Long-Term Debt	(28,349)	(789,303)
	015	Other	-	-
			605,849	(730,052)
62		Investing Activities		
	011	Proceeds in Sale of Capital Assets	-	-
	012	Additions to Capital Assets	(673,801)	(89,457)
	013	Other	-	-
			(673,801)	(89,457)
63		Increase (decrease)in Cash	(535,589)	72,841
64		Cash, beginning of period	27,114	(45,727)
65		Cash, end of period	$ (508,475)	27,114

See Accompanying Notes

VISTA SCHOOL DISTRICT

Statement of Changes in Capital Fund

Year ended June 30, 1998

		1998	1997 (Note 8(e))
70	Capital Receipts		
71	**Proceeds from Bank Loans**		
	011 - School Construction	$ -	-
	012 - Equipment	-	-
	013 - Service Vehicles	23,000	-
	014 - Pupil Transportation	-	-
	015 - Other	-	-
		23,000	-
72	**EIC Grants**		
	011 - School Construction and Equipment	461,375	57,085
	012 - Other	-	-
		461,375	57,085
73	**Donations**		
	011 - Cash Receipts	-	-
	012 - Non-Cash Receipts	-	-
	013 - Restricted Use	-	-
		-	-
74	**Sale of Capital Assets - Proceeds**		
	011 - Land	-	-
	012 - Buildings	-	-
	013 - Equipment	-	-
	014 - Service Vehicles	-	-
	015 - Pupil Transportation Vehicles	-	-
	016 - Other	-	-
		-	-
75	**Other Capital Revenues**		
	011 - Interest on Capital Fund Investments	-	-
	012 - Premiums on Debentures	-	-
	013 - Recoveries of Expenditures	-	-
	015 - Insurance Proceeds	-	-
	016 - Native Peoples Grants	-	-
	017 - Miscellaneous - HRD Special Grants	21,323	2,166
	- Dept. of Ed. - Computer Equipment	128,500	-
		149,823	2,166
Total Capital Receipts		634,198	59,251
77	Transfer from Reserve Account	-	-
78	Transfer from (to) Current Fund	67,952	819,509
Total		$ 702,150	878,760

See Accompanying Notes

VISTA SCHOOL DISTRICT

Statement of Changes in Capital Fund (Cont'd)

Year ended June 30, 1998

		1998	1997 (Note 8(e))
80	**Capital Disbursements**		
81	**Additions to Capital Assets**		
	011 - Land and Sites	$ -	-
	012 - Buildings	463,751	57,085
	013 - Furniture and Equipment - Schools	170,301	22,030
	014 - Furniture and Equipment - Other	15,416	10,342
	015 - Service Vehicles	24,333	-
	016 - Pupil Transportation	-	-
	017 - Other	-	-
		673,801	89,457
82	**Principal Repayment of Long Term Debt**		
	011 - School Construction	-	658,152
	012 - Equipment	-	4,695
	013 - Service Vehicles	5,453	3,635
	014 - Other - Administration Building		
	Extension and Equipment	10,028	109,545
	Capital Lease	12,868	13,276
		28,349	789,303
83	**Miscellaneous Disbursements**		
	013 - Other	-	-
	Total Capital Disbursements	$ 702,150	878,760

See Accompanying Notes

VISTA SCHOOL DISTRICT

Notes to the Financial Statements

Year ended June 30, 1998

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1. **Significant Accounting Policies:**

The accompanying financial statements have been prepared on a fund accounting basis which is generally accepted for School Districts. Fund accounting can be defined as "Accounting procedures in which a self balancing group of accounts is provided for each fund". It is customary for School Districts to account separately for the current and capital funds.

A summary of significant accounting policies adopted by the Board, relating to their use of fund accounting, is as follows:

(a) Grants received by the District are recorded in either the current or capital funds depending on their source. Grants from the Department of Education are treated as current revenues while those from the EIC (Education Investment Corporation) are recorded as capital revenues. Also amounts paid to construction companies from the EIC on behalf of the District for capital projects are treated as capital revenues.

(b) Fixed asset additions are recorded at full cost in the capital fund.

(c) The District does not calculate or record depreciation on any of its fixed assets.

(d) Principal repayment of pupil transportation loans are recorded as Current Expenditures. All other principal repayment of bank loans are recorded as Capital Expenditures.

During the year the District received a directive from the Department instructing it to record accrued teachers' severence leave in the current financial statements. As this amount is included without any offsetting revenue amount, it violates the matching principle, a fundamental of generally accepted accounting principle.

DERRICK R. DRODGE
CHARTERED ACCOUNTANT

VISTA SCHOOL DISTRICT

Notes to the Financial Statements

Year ended June 30, 1998

2. Accounts Receivable:

			1998	1997
		Current		
11	131	Provincial Government Grants	$ 218,313	45,021
	132	Transportation	37,544	60,375
	133	Federal Government - Harmonized Sales Tax	101,597	89,019
		- Other	81,310	16,944
	136	Other School Districts	-	-
	137	Rent	-	-
	138	Interest	-	-
	139	Travel Advances and Miscellaneous	14,390	18,699
		Municipal Grant - Winter Games Complex	14,839	18,485
		Capital		
11	231	EIC - Construction Grants	283,727	33,199
	233	Local Contributions	-	-
	234	Other School Districts	-	-
	235	Other - HRD Grants	3,231	5,557
		- Bank Loan Proceeds	23,000	-
		- Allowance For Doubtful Accounts	(63,958)	-
			$ 713,993	287,299

3. Bank Indebtedness:

			1998	1997
21	131	On Operating Credit	$ 200,000	-
	132	On Capital Account	-	-
		On Current Account (Supp. Info. 1)		
		- General	308,559	-
		- Teachers' Payroll	-	1,618
		- US Account	-	-
			$ 508,559	1,618

VISTA SCHOOL DISTRICT

Notes to the Financial Statements

Year ended June 30, 1998

			1998	1997
4.		**Accounts Payable and Accrued:**		
		Current		
21	111	Trade Payable	$ 157,017	60,798
	112	Accrued - Liabilities	5,700	5,700
	113	- Interest	-	-
	114	- Wages	-	-
		- Severance Pay (Note 8(a))	347,837	311,023
		- Severence Pay (Note 8(f))	3,627,416	3,521,365
		- Vacation Pay (Note 8(a))	85,923	68,040
	115	Payroll Deductions	3,830	3,648
	116	Retail Sales Tax	-	-
	117	Deferred Grants	26,664	43,744
	118	Other	-	-
		Capital		
21	211	Trade Payable	10,700	26,832
	212	Accrued - Liabilities	-	-
	213	- Interest	-	-
	217	Deferred Grants	-	128,500
	218	Other	-	-
			$ 4,265,087	4,169,650

5. **Reserve Account**

Current

There were no current reserves provided for in the year ended June 30, 1998, or the six months ended June 30, 1997.

Capital

The operating agreement of the Winter Games Complex requires that 25 percent of the rental revenue collected be reserved for capital expenditures and enhancement of the facility.

	1998	1997 (Note 8(e))
Balance, beginning of period (Note 8(g))	$ 14,886	11,880
Current provision	2,329	3,006
Capital expenditures / enhancement during period	-	-
Balance, end of period	$ 17,215	14,886

VISTA SCHOOL DISTRICT

Notes to the Financial Statements

Year ended June 30, 1998

	1998	1997 (Note 8(e))
6. **Investment in Capital Assets:**		
Beginning of Period (Note 8(g))	$ 35,007,994	34,103,929
Add :		
Transfer of Operating Funds to Capital Fund	67,952	819,509
Grants-EIC-Contribution for Capital Construction and Equipment	461,375	57,085
Dept. of Ed. - Computer Equipment	128,500	-
-Human Resources Development	21,323	2,165
Capital Projects funded by EIC but paid directly to other sources on behalf of District	-	-
Donations	-	-
Proceeds from Sale of Capital Assets		
- Land	-	-
- Buildings	-	-
- Equipment	-	-
- Vehicles	-	-
- Other	-	-
Interest on Capital Fund Investments	-	-
Recoveries of Expenditures	-	-
Insurance Proceeds - Capital	-	-
Native Peoples Grants - Capital	-	-
Principal Payment of Bussing Loans	-	25,306
	35,687,144	35,007,994
Deduct Adjustments:		
Cost of Assets Sold - Land	-	-
- Buildings	-	-
- Equipment	-	-
- Vehicles	-	-
- Other	-	-
	-	-
23 221 Investment in Capital Assets, End of Period	$ 35,687,144	35,007,994

7 **Commitments:**

At balance sheet date the District had the following commitments:

Lease of office and school equipment for the following which are accounted for as operating leases:

- Seventy computers and accessories with a monthly lease payment of $ 2,257; matures 1999; buy out option of approximately 10 percent of original fair market value.
- Two photocopiers with a quarterly lease payment of $ 1,085; matures 1999; buy out option of approximately 10 percent of original fair market value.
- Fifty-eight computers and accessories with a monthly lease payment of $ 1,927; matures 1999; buy out option of approximately 10 percent of original fair market value.
- Five photocopiers with a monthly lease payment of $ 1,633; matures 2000; buy out option of 15 percent of original cost of the equipment.
- Forty-six computers and accessories with a monthly lease payment of $ 1,765; matures 2001; buy out option of 15 percent of original cost of the computers.
- Mailing machine with an annual lease payment of $ 3,168; matures 2000.
- Postage meter with quarterly lease payments of $ 109; matures 1999.
- Telephone system with monthly lease payment of $ 378; matures 2002.
- One photocopier with quarterly lease payments of $ 656; matures 2002.
- One photocopier with quarterly lease payments of $ 1,311; matures 2002.
- One photocopier with quarterly lease payments of $ 347; matures 1999.
- Telephone system with monthly lease payments of $ 90; matures 1999.
- Telephone system with monthly lease payments of $ 141; matures 2003.
- Telephone system with monthly lease payments of $ 44; matures 2002.
- Telephone system with monthly lease payments of $ 158; matures 2003.
- One photocopier with an annual lease payment of $ 2530; matures 2001.

8. **Other:**

(a) Accrued Severance and Vacation Pay:

In August 1994, the Department of Education issued an accounting directive requiring all Districts to calculate and disclose in the financial statements the accrual of severance and vacation pay for Board employees.

(i) Accrued Severance Pay:

During the period an additional amount of $ 36,814 was accrued as follows:

Administration	$ 13,160
Secretarial	6,003
Maintenance	3,183
Janitorial	12,187
Pupil Transportation	1,640
Other	641

Severence paid to employees during the year ended June 30, 1998 were as follows:

Secretarial	$ 3,824
Janitorial	7,770

The District also has recorded an account receivable from the Department of Education to offset the accrued severance liability recorded for pupil transportation employees. This decision was based on the policy of the Department to give the Board budget adjustments for bussing severance payments. An additional amount of $ 1,640 has been recorded as an account receivable for the 1998 accrual.

(ii) Accrued Vacation Pay:

All vacation pay earned during the period is included in the applicable wage expense.

b) Bond Coverage:

At balance sheet date, the Insurance Division of Treasury Board carried fidelity bond coverage covering District employees as follows:

Assistant Director of Finance and Administration and District Employees (other than Secretaries)	$ 100,000
Principals, Vice Principals and Secretaries	50,000

Based on our evaluation of the system of internal control and our overall knowledge of the District's operations, it is our opinion that this coverage is adequate.

8. **Other (continued):**

(c) Special grant / Debt retirement:

During the prior period, the District received a Debt Retirement grant of $ 766,800 from the Department of Education to retire principal / interest on its debt as follows:

School construction	$ 644,796
Board office	98,359
Pupil transportation	21,343
Excess	2,302

(d) Educational reform:

During the prior period, through educational reform, the District assumed the responsibility of the schools of St. Mark's All Grade School, King's Cove and St. Catherines Elementary School, Port Union from the former "The Roman Catholic School Board for Gander - Bonavista - Connaigre" and Our Saviour King School, Southern Harbour, from former "Western Avalon Roman Catholic School Board".

As at report date, there are ongoing negotiations between the Department of Education and all applicable Districts to assume the deficits of these former Boards. As these negotiations are not finalized, no provision for assumed deficits are recorded within these financial statements including the assets for the above applicable schools.

(e) Comparative figures:

(i) Comparative figures are for the six months ended June 30, 1997 with the exception of operations of the three schools noted in Note 8(d) above.

(f) Prior period adjustment:

During the year the District received an accounting directive from the Department of Education to disclose in the financial statements the accrual of severance pay for the District's teachers. The total balance of $ 3,627,416 as of June 30, 1998 is reported in these financial statements as an increase to teacher's wages for the current year of $ 106,051 and a prior period adjustment to equity for $ 3,521,365. As the amount of this adjustment for the comparative year is unavailable, its effect is included in the prior period adjustment.

(g) Opening balances:

Opening balances as of January 1, 1997 are comprised of amounts transferred from predecessor Boards.

VISTA SCHOOL DISTRICT

Schedule 1.

Current Revenues

Year ended June 30, 1998

			1998	1997 (Note 8(e))
Current Revenues				
32	010	**Provincial government Grants**		
	011	Regular Operating Grants	3,653,500	2,730,762
	016	Special Grants (Details on bottom of Schedule 1)	337,017	28,231
		Salaries and Benefits		
	017	- Directos and Asst. Directors	273,383	139,442
	021	- Regular Teachers	16,662,311	9,541,768
	022	- Substitute Teachers	574,143	337,263
	030	Pupil Transportation		
	031	- Board Owned	117,216	92,298
	032	- Contracted	1,522,853	900,524
	033	- Handicapped	160,259	91,093
		- Other	27,500	-
			23,328,182	13,861,381
33	010	**Donations**		
	012	Cash Receipts	-	-
	013	Non-Cash Receipts	-	-
	014	Restricted Use	-	-
			-	-
34	010	**Ancillary Services**		
	011	Revenues from Rental of Residences	-	-
	021	Revenues from Rental of Schools and Facilities (Net)	11,144	12,626
	031	Cafeterias	-	-
	032	Other	-	-
			11,144	12,626

Continued...

VISTA SCHOOL DISTRICT

Schedule 1.
(Continued)

Current Revenues

Year ended June 30, 1998

			1998	1997 (Note 8(e))
35	010	**Miscellaneous**		
	011	Interest on investments	$ 5,256	1,988
	012	Bus Charters	-	-
	021	Recoveries of Expenditures	-	-
	031	Revenues from Other School Districts	-	-
	051	Insurance Proceeds	-	-
	061	Bilingual Education Revenue	-	-
	071	Operating Revenue from Native Peoples Grant	-	-
	081	Miscellaneous Federal Grants	203,321	69,837
	091	Textbooks	-	-
	092	Sundry	3,456	-
	093	Grant - Pentecostal Assemblies	-	3,722
		- Winter Games Complex-Special	-	-
		- Winter Games Complex-Municipal	14,839	11,786
		- MUN	9,000	6,000
			235,872	93,333
		Total Current Revenues	$ 23,575,198	13,967,340

Special Grants

	1998	1997
French Monitor	$ 16,318	-
French Co-ordinator	-	-
French Immersion	-	-
French Materials	7,788	1,229
School Board Election Grant	32,761	-
Alternate Text	-	-
Textbook Credit Allocation	4,728	6,049
School Tax Equalization	-	-
Other - Winter Games Complex	26,380	20,953
- Student Assistant Wages	99,339	-
- Direction in Education	-	-
- Stem Net	4,751	-
- Tutoring For Tuition	2,860	-
- Emergency roof repairs	33,375	-
- Negotiations reimbursement	4,163	-
- Wage Parity	70,311	-
- Extra Grant - Court Ruling	34,243	-
	$ 337,017	28,231

See Accompanying Notes

VISTA SCHOOL DISTRICT

Schedule 2.

Administration Expenditures

Year ended June 30, 1998

		1998	1997 (Note 8(e))
51	**Salaries and Benefits**		
011	- Directors and Assistant Directors	$ 273,383	126,766
012	- District Office Personnel	322,379	182,108
013	Office Supplies	17,744	2,259
014	Replacement Furniture and Equipment	8,426	77
015	Postage	10,641	4,770
016	Telephone	35,135	12,470
017	Office Equipment Rentals and Repairs	24,346	21,834
018	Bank Charges	5,096	2,497
019	Electricity	7,716	4,252
021	Fuel	-	-
022	Insurance	-	1,088
023	Repairs and Maintenance (Office Building)	5,120	2,441
024	Travel	38,575	16,578
025	Board Meeting Expenses	13,514	4,717
026	Election Expenses	22,761	-
027	Professional Fees	17,811	5,051
028	Advertising	24,350	14,056
029	Membership Dues	22,285	10,106
031	Municipal Service Fees	-	960
032	Rental of Office Space	-	-
033	Relocation Expenses	-	-
034	Miscellaneous	4,113	3,300
035	Payroll Tax	5,163	2,448
036	Severance Pay (Note 8(a))	13,160	2,321
	Total Administration Expenditures	$ 871,718	420,099

See Accompanying Notes

VISTA SCHOOL DISTRICT

Schedule 3.

Instruction Expenditures

Year ended June 30, 1998

			1998	1997 (Note 8(e))
52	010	**Instructional Salaries** (Gross)		
	011	Teachers' Salaries - Regular	$ 16,768,361	9,541,768
	012	- Substitute	558,731	337,263
	013	- District Paid	-	-
	014	Augmentation	-	-
	015	Employee Benefits	-	-
	016	School Secretaries - Salaries and Benefits	356,050	209,182
	017	- Payroll Tax	6,010	3,283
	018	Other - Severance Pay (Note 8(a))	9,827	6,585
		Student Assistant - Wages and Benefits	100,779	-
		- Payroll Tax	1,486	-
			17,801,244	10,098,081
52	040	**Instructional Materials**		
	041	General Supplies	73,688	18,295
	042	Library Resource Materials	36,249	6,541
	043	Teaching Aids	76,558	14,534
	044	Textbooks	-	-
			186,495	39,370
52	060	**Instructional Furniture and Equipment**		
	061	Replacement	33,572	21,067
	062	Rentals and Repairs	255,385	113,938
			288,957	135,005
52	080	**Instructional Staff Travel**		
	081	Program Co-ordinators	37,427	16,953
	082	Teachers' Travel	2,824	1,754
	083	Inservice and Conferences	42,330	14,186
			82,581	32,893
52	090	**Other Instructional Costs**		
	091	Postage and Stationery	4,767	1,813
	092	Miscellaneous	42,492	24,684
		Funded Projects - Federal	209,442	75,051
		- Other	40,389	7,229
			297,090	108,777
		Total Instruction Expenditures	$ 18,656,367	10,414,126

See Accompanying Notes

VISTA SCHOOL DISTRICT

Schedule 4.

Operations and Maintenance Expenditures - Schools

Year ended June 30, 1998

			1998	1997 (Note 8(e))
53	011	Salaries and Benefits - Janitorial	$ 806,147	462,408
	012	- Maintenance	201,728	47,827
	013	Payroll Tax	16,808	7,394
	014	Electricity	647,759	398,364
	015	Fuel	64,653	53,650
	016	Municipal Service Fee	27,653	17,886
	017	Telephone	122,235	59,236
	018	Vehicle Operating and Travel	22,375	7,897
	019	Janitorial Supplies	51,020	24,162
	021	Janitorial Equipment	-	-
	022	Repairs and Maintenance - Buildings	238,985	75,889
	023	- Equipment	3,992	3,478
	024	Contracted Services - Janitorial	32,199	23,737
	025	Snow Clearing	53,848	59,599
	026	Rentals	-	-
	027	Severance Pay - Janitorial (Note 8(a))	19,957	9,641
		- Maintenance (Note 8(a))	3,183	5,283
		Other - Professional Fees (Complex)	496	473
		- Special Events (Complex)	-	41
		Total Operations and Maintenance	$ 2,313,038	1,256,965

See Accompanying Notes

VISTA SCHOOL DISTRICT

Schedule 5.

Pupil Transportation Expenditures

Year ended June 30, 1998

			1998	1997 (Note 8(e))
54	010	**Operation and Maintenance of Board Owned Fleet**		
	011	Salaries and Benefits		
		- Administration	$ -	-
	012	- Drivers and Mechanics	63,667	42,414
	013	Payroll Tax	1,020	742
	014	Debt Repayment - Interest	-	369
	015	- Principal	-	25,306
	016	Bank Charges	-	-
	017	Gas and Oil	24,130	13,907
	018	Licences	2,177	455
	019	Insurance	1,425	-
	021	Repairs and Maintenance - Fleet	20,864	6,514
	022	- Building	-	-
	023	Tires and Tubes	-	-
	024	Heat and Light	-	-
	025	Municipal Service	-	-
	026	Snow Clearing	-	-
	027	Office Supplies	-	-
	028	Rent	-	-
	029	Travel	2,293	1,329
	031	Professional Fees	827	788
	032	Miscellaneous	-	-
	033	Telephone	-	-
	034	Vehicle Leases	-	-
		Severance Pay (Note 8(a))	1,640	474
			118,043	92,298
54	040	**Contracted Services**		
	041	Regular Transportation	1,522,852	900,524
	042	Handicapped	160,259	91,093
			1,683,111	991,617
		Total Pupil Transportation Expenditures	$ 1,801,154	1,083,915

See Accompanying Notes

VISTA SCHOOL DISTRICT

Schedule 6.

Ancillary Services and Miscellaneous Expenses

Year ended June 30, 1998

Ancillary Services

The District owns and operates the following ancillary services:

None

			1998	1997 (Note 8(e))
55		**Ancillary Services**		
	011	Operation of Teachers' Residences	$ -	-
	031	Cafeterias	-	-
	032	Other	-	-
			$ -	-

Schedule 7.

Miscellaneous Expenses

The District has incurred the following miscellaneous expenses:

None

			1998	1997 (Note 8(e))
57	011	**Miscellaneous Expense**	$ -	-

See Accompanying Notes

VISTA SCHOOL DISTRICT

Schedule 8.

Details of Capital Assets

Year ended June 30, 1998

			1997	Additions	Disposals	1998
12	210	**Land and Sites**				
	211	Land and Sites	$ -	-	-	-
12	220	**Buildings**				
	221	Schools	30,606,273	463,751	-	31,070,024
	222	Administration	280,098	-	-	280,098
	223	Residential	-	-	-	-
	224	Recreational	-	-	-	-
	225	Other	-	-	-	-
			30,886,371	463,751	-	31,350,122
12	230	**Furniture and Equipment**				
	231	Schools	3,454,218	208,341	-	3,662,559
		- Capital Lease	38,040	-	38,040	-
	232	Administration	330,267	48,094	-	378,361
		- Capital Lease	32,678	-	32,678	-
	233	Residential	-	-	-	-
	234	Recreation	-	-	-	-
	235	Other	-	-	-	-
			3,855,203	256,435	70,718	4,040,920
12	240	**Vehicles**				
	241	Service Vehicles	52,877	24,333	-	77,210
12	250	**Pupil Transportation**				
	251	Land	-	-	-	-
	252	Building	-	-	-	-
	253	Vehicles				
		- Buses	242,018	-	-	242,018
	254	- Service	-	-	-	-
	255	Equipment	-	-	-	-
	256	Other	-	-	-	-
			242,018	-	-	242,018
12	260	**Misc. Capital Assets**				
	261	Other				
		- Resource Centre	113,931	-	-	113,931
	Total Capital Assets		$ 35,150,400	744,519	70,718	35,824,201

See Accompanying Notes

VISTA SCHOOL DISTRICT

Schedule 9.

Details of Long-Term Debt

Year ended June 30, 1998

Bank loans, mortgages and debentures, approved by the District and the Government of Newfoundland and Labrador. See Note 8(c).

22 .210 **Loans Other than Pupil Transportation**

Ref. #		1998	1997 (Note 8(e))
211	**Bank Loans**		
2211	Repayable $ 5,290 monthly, repaid during period	$ -	-
2212	Repayable $ 938 monthly, repaid during period	-	-
2213	Repayable $ 785 monthly, matured during period	-	-
2214	Repayable $ 626 monthly, matured during period	-	28
2229	Repayable $ 883 monthly, maturing 2007	106,719	116,719
	Total 211	106,719	116,747
212	**Mortgages**	-	-
213	**Debentures**	-	-
214	**Other**		
2224	Service Vehicle		
	Repayable $ 606 monthly, matured during period	-	5,453
	No set terms of repayment at date of report	23,000	-
2228	Capital Lease		
	Repayable $ 7,216 quarterly, matured during period	-	12,868
	Subtotal	129,719	135,068
215	Less: Current Maturities	10,000	28,349
	Total Loans Other Than Pupil Transportation	119,719	106,719

Continued...

VISTA SCHOOL DISTRICT

Schedule 9.
(Continued)

Details of Long-Term Debt

Year ended June 30, 1998

			1998	1997 (Note 8(e))
22	220	Loans - Pupil Transportation		
	Ref. #			
	221	**Vehicle Bank Loans**		
	222	**Land, Buildings, and Equipment Bank Loans**	-	-
		Subtotal	-	-
	223	Less: Current Maturities	-	-
		Total Loans - Pupil Transportation	-	-
	Total	Long-Term Debt	$ 119,719	106,719

See Accompanying Notes

VISTA SCHOOL DISTRICT

Schedule 9A.

Summary of Long-Term Debt

Year ended June 30, 1998

Description	Ref #	Rate	Balance Beginning of Year (Note 8(g))	Loans Obtained During Year	Principal Repayment for Year	Balance End of Year
A) School Construction	2211	Prime	$ -	-	-	-
B) Equipment	2213	Prime	-	-	-	-
C) Service Vehicles	2225	Prime	5,453	-	5,453	-
	2226		-	23,000	-	23,000
D) Other	2212	Prime	-	-	-	-
	2214	Prime	28	-	28	-
	2228	Prime	12,868	-	12,868	-
	2229	Prime	116,719	-	10,000	106,719
E) Pupil Transportation	2222	Prime	-	-	-	-
Total Loans			$ 135,068	23,000	28,349	129,719

VISTA SCHOOL DISTRICT

Schedule 9B.

Schedule of Current Maturities

Year ended June 30, 1998

Description	Ref #	Year 1	Year 2	Year 3	Year 4	Year 5
A) School Construction	2211	$ -	-	-	-	-
B) Equipment	2213	-	-	-	-	-
C) Service Vehicles	2224	-	-	-	-	-
D) Other	2214	-	-	-	-	-
	2228	-	-	-	-	-
	2229	10,000	10,000	10,000	10,000	10,000
		10,000	10,000	10,000	10,000	10,000
E) Pupil Transportation	2222	-	-	-	-	-
Total		$ 10,000	10,000	10,000	10,000	10,000

See Accompanying Notes

VISTA SCHOOL DISTRICT

Schedule 9C.

Schedule of Interest Expense

Year ended June 30, 1998

			1998	1997 (Note 8(e))
56	010	Description		
	012	**Capital**		
		School Construction	$ -	8,917
		Equipment	-	53
		Service Vehicles	121	182
		Other	6,752	5,019
		Total Capital	6,873	14,171
	013	**Current**		
		Operating Loans	5,773	1,516
		Supplier Interest Charges	-	-
		Total Current	5,773	1,516
		Total Interest Expense	$ 12,646	15,687

See Accompanying Notes

VISTA SCHOOL DISTRICT

Supplementary Information

Year ended June 30, 1998

			1998	1997
1.		**Cash**		
		Current		
11	110	Cash on Hand and in Bank		
	111	Cash on Hand	$ -	-
	112	Bank - Current	-	28,702
	113	- Savings	-	-
	114	- Teachers' Payroll	-	-
	115	- Non-Teachers' Payroll	-	-
	116	- Coupon (Debenture)	-	-
	117	- Other	84	30
		Capital		
11	210	Cash on Hand and in Bank		
	211	Cash on Hand	-	-
	212	Bank - Current	-	-
	213	- Savings	-	-
	214	- Other	-	-
		Total Cash on Hand and in Bank	$ 84	28,732

The District uses one bank account for both current operating and capital purposes.

			1998	1997
2.		**Short Term Investments**		
		Current		
11	121	Term Deposits	$ -	-
	122	Canada Savings Bonds	-	-
	123	Other	-	-
		Capital		
11	221	Term Deposits	-	-
	222	Canada Savings Bonds	-	-
	223	Other	-	-
		Total Short Term Investments	$ -	-

VISTA SCHOOL DISTRICT

Supplementary Information

Year ended June 30, 1998

			1998	1997
3.		**Prepaid Expenses**		
		Current		
11	141	Insurance	$ -	-
	142	Municipal Service Fees	-	-
	143	Supplies	33,136	40,439
	144	Other	-	-
		Capital		
11	241	Other	-	-
			$ 33,136	40,439

Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Western Health Care Corporation - Operating Fund Financial Statements

March 31, 1998

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Chartered Accountants
Canadian Member Firm of
Grant Thornton International

Grant Thornton

Auditors' Report

To the Members of the Board of
Western Health Care Corporation

We have audited the balance sheet of Western Health Care Corporation - Operating Fund as at March 31, 1998 and the statements of changes in net assets, operations and changes in financial position fc the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1998 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Grant Thornton
Chartered Accountants

Corner Brook, Newfoundland
September 25, 1998

P.O. Box 356
49-51 Park Street
Corner Brook
Newfoundland
A2H 6K2
Tel: (709) 634-4382
Fax: (709) 634-9158

Western Health Care Corporation
Operating Fund
Balance Sheet

March 31,	1998	1997 (Note 14)
Assets		
Current		
Receivables (Note 4)	$ 3,820,595	$ 5,533,174
Inventory	2,077,553	2,196,063
Prepaid expenses	2,412,298	2,258,129
Due from Health and Community Services Western	3,090	-
	8,313,536	9,987,366
Due from associated funds (Note 5)	1,421,140	1,545,032
Capital assets (Note 6)	25,145,852	25,614,236
Trust funds on deposit	301,780	385,050
	$ 35,182,308	$ 37,531,684
Liabilities		
Current		
Bank indebtedness (Note 7)	$ 14,835,869	$ 9,253,760
Payables and accruals (Note 8)	9,665,591	10,669,116
Due to Health and Community Services Western	-	1,173,110
Deferred contributions – operating	83,279	68,278
Deferred contributions - capital	703,510	866,260
Vacation pay accrual	3,200,740	2,465,166
Current portion of long term debt	125,900	108,695
	28,614,889	24,604,385
Deferred contributions – capital	15,326,091	15,459,082
Severance pay accrual	11,340,411	10,388,427
Trust funds payable	301,780	385,050
Long term debt (Note 9)	4,707,059	4,792,851
	60,290,230	55,629,795
Net assets invested in capital assets	(1,860,608)	(976,527)
Unrestricted net assets	(23,247,314)	(17,121,584)
Net assets	(25,107,922)	(18,098,111)
	$ 35,182,308	$ 37,531,684

Contingencies and commitments (Note 13)

On behalf of the Board

__________ Member F. John Adams Member

See accompanying notes to the financial statements.

Western Health Care Corporation
Operating Fund
Statement of Changes in Net Assets

March 31,

	Operating	Capital	1998 Total	1997 (Note 14) Total
Balance, beginning of year	$ (17,121,585)	$ (976,526)	**$(18,098,111)**	$(12,389,064)
Excess of expenditure over revenue	(7,009,811)	-	**(7,009,811)**	(5,771,550)
Amortization of capital assets	2,434,754	(2,434,754)	-	-
Amortization of deferred contributions – capital	(1,506,350)	1,506,350	-	-
Provincial plan revenue – mortgage repayments	(44,322)	44,322	-	-
Appropriation from Board of Trustees Fund	-	-	-	62,503
Balance, end of year	$ (23,247,314)	$ (1,860,608)	**$(25,107,922)**	$(18,098,111)

See accompanying notes to the financial statements.

Western Health Care Corporation
Operating Fund
Statement of Operations

Year Ended March 31,	1998	1997 (Note 14)
Revenue		
Provincial Plan	$ 78,988,376	$ 73,612,394
Other	16,877,091	16,516,262
	95,865,467	90,128,656
Expenditures		
Administrative and support services	35,856,981	34,066,901
Nursing services	46,413,535	43,925,404
Ambulatory care services	5,226,544	4,922,279
Diagnostic and therapeutic services	9,334,890	8,883,490
Educational services	2,413,396	2,104,555
General services	844,204	895,870
Community support program	214,088	126,665
	100,303,638	94,925,164
Operating deficit before other items (Note 11)	(4,438,171)	(4,796,508)
Other items		
Increase in severance and vacation pay accrual	1,687,558	603,920
Amortization of capital assets	2,434,754	1,967,057
Amortization of deferred contributions – capital	(1,506,350)	(1,547,660)
Provincial plan revenue – mortgage repayments	(44,322)	(48,275)
	2,571,640	975,042
Excess of expenditures over revenue	$ (7,009,811)	$ (5,771,550)

See accompanying notes to the financial statements.

Western Health Care Corporation
Operating Fund
Statement of Changes in Financial Position

Year Ended March 31,	1998	1997 (Note 14)
Cash derived from (applied to)		
Operations		
Excess of expenditures over revenue	$ (7,009,811)	$ (5,771,550)
Increase in severance and vacation pay accrual	1,687,558	603,920
Amortization of capital assets	2,434,754	1,967,057
Amortization of deferred contributions – capital	(1,506,350)	(1,547,660)
	(4,393,849)	(4,748,233)
Changes in		
Receivables	1,712,579	(218,521)
Inventory	118,510	58,853
Prepaid expenses	(154,169)	(230,265)
Due from associated funds	(1,052,308)	1,775,827
Payables and accruals	(1,151,275)	2,868,986
	(4,920,512)	(493,353)
Financing		
Capital contributions	1,373,360	1,733,503
Proceeds from long term debt	43,112	553,679
Repayment of long term debt	(111,699)	(48,275)
Appropriation from Board of Trustees Fund	-	62,503
	1,304,773	2,301,410
Investing		
Purchase of capital assets	(1,966,370)	(3,009,861)
Net decrease in cash	(5,582,109)	(1,201,804)
Bank indebtedness, beginning of year	(9,253,760)	(8,051,956)
Bank indebtedness, end of year	$ (14,835,869)	$ (9,253,760)

See accompanying notes to the financial statements.

Western Health Care Corporation
Operating Fund
Notes to the Financial Statements
March 31, 1998

1. Nature of operations

The Western Health Care Corporation ("the Corporation") was constituted under the Hospital's Act (Western Health Care Corporation) Constitution Order and is responsible for the management and control of the operations of acute and long term care facilities in the Western region of the province of Newfoundland and Labrador. The Corporation assumed responsibility for these facilities effective January 1, 1996. The institutions are as follows:

Western Memorial Regional Hospital, including Western Linen Services
Bonne Bay Hospital Division
Dr. J. I. O'Connell Centre
Calder Health Care Centre
Rufus Guinchard Health Care Centre
Bay St. George Senior Citizens Home
Sir Thomas Roddick Hospital
Dr Charles L Legrow Health Centre
Interfaith Home for Senior Citizens

The Western Health Care Corporation is a registered charity and consequently is exempt under the Income Tax Act.

2. Change in Accounting Policy

During the year, the Corporation recorded contributions related to depreciable capital assets as deferred contributions and amortized them to income on the same basis as the amortization expense related to the capital assets purchased. Previously, these contributions were recorded as deferred contributions until the amount was invested in capital assets, at which time the grant was reported as an increase in net assets invested in capital assets. This change in accounting policy has been given retroactive application. Consequently, opening net assets for the Corporation for 1997 has been decreased by $15,273,238 excess of expenditure over revenue has decreased by $1,547,660 in 1997 and 1998 deferred capital grants increased by $13,725,578.

3. Summary of significant accounting policies

The financial statements of the Corporation have been prepared within the framework of generally accepted accounting principles which requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the Corporation are as follows:

Basis of presentation

The Corporation applies fund accounting principles as follows:

The Operating Fund contains the assets, liabilities, revenue and expenditure of the Corporation related to the provision of hospital services, which are funded by the Department of Health.

The Board of Trustees Fund contains special purpose assets and those which may be expended at the discretion of the Board. Revenue consists mainly of investment income and revenue not directly related to hospital operations. Expenditures of this fund consist of hospital operating expenditures not shared by government and those approved by the Board.

The Board of Trustees Fund financial statements are presented separately as well as included in the combined financial statements of the Board.

Inventory

Inventory is valued at average cost on a first-in, first-out basis.

Capital Assets

The Corporation has control over certain assets for which title resides with the Government of Newfoundland and Labrador. These assets have not been recorded in the financial statements of the Corporation. Capital assets acquired after January 1, 1996 are recorded at cost. Capital assets are amortized on a declining balance basis at the following rates:

Land Improvements	2 ½%
Buildings	2 ½ - 15%
Equipment	15%
Equipment under capital Leases	15%

3. Summary of significant accounting policies (cont'd)

Capital and Operating Leases

A lease that transfers substantially all of the risks and rewards incidental to the ownership of property is accounted for as a capital lease. Assets acquired under capital lease result in a capital asset and an obligation being recorded equal to the lesser of the present value of the minimum lease payments and the property's fair value at the time of inception. All other leases are accounted for as operating leases and the related payments are expensed as incurred.

Severance Pay Liability

An accrued severence pay liability is recorded in the accounts for all employees who have a vested right to receive such payments. Severance pay vests after nine years of continuous service and no provision has been made for employees with less than nine years.

Revenue Recognition

Provincial plan revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred contributions - operating.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Capital contributions expended are recorded as deferred contributions and amortized to income on a straight line basis using the same rates as depreciation expense related to the capital assets purchased. Capital contributions expended for non-depreciable capital assets are recorded as direct increases in net assets. Non-expended capital contributions are deferred and are not amortized until expended.

Revenue from the sale of goods and services is recognized at the time the goods are delivered or the services are provided.

4. Receivables

	1998	1997 (Note 14)
Province of Newfoundland		
Capital contributions	$ 218,828	$ 730,645
Provincial Plan	55,335	1,050,000
Severance funding	–	600,871
Patient services	799,590	1,282,649
Employees pay and travel advances	872,936	880,902
Harmonized sales tax rebate	1,075,250	315,096
Other	798,656	673,011
	$ 3,820,595	$ 5,533,174

5. Due from associated funds

	1998	1997 (Note 14)
Board of Trustees Fund	$ 1,326,620	$ 1,436,467
Cottages	70,349	64,199
Western Memorial Hospital Foundation	24,171	44,366
	$ 1,421,140	$ 1,545,032

Amounts due from associated funds are non-interest bearing with no set terms of repayment.

6. Capital Assets

			1998
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 289,971	$ –	$ 289,971
Equipment under capital lease	621,070	93,161	527,909
Buildings	18,239,220	7,803,525	10,435,695
DVA Unit	3,607,044	187,538	3,419,506
Parking lot	283,340	120,162	163,178
Equipment	27,970,488	17,716,809	10,253,679
Motor vehicles	231,567	175,653	55,914
	$ 51,242,700	$ 26,096,848	$ 25,145,852

			1997
	Cost	Accumulated Depreciation	Net Book Value
Land	$ 289,971	$ -	$ 289,971
Equipment under capital lease	553,679	-	553,679
Buildings	17,774,017	7,235,940	10,538,077
DVA Unit	3,587,509	99,858	3,487,651
Parking lot	283,340	115,978	167,362
Equipment	26,556,247	16,048,644	10,507,603
Motor vehicles	231,567	161,674	69,893
	$ 49,276,330	$ 23,662,094	$ 25,614,236

7. Bank indebtedness

The Corporation has signed an overdraft lending agreement with interest being charged at prime less 0.5% on any overdraft (March 31, 1998 – 6.0%; March 31, 1997 – 4.25%).

Western Health Care Corporation
Operating Fund
Notes to the Financial Statements
March 31, 1998

8. Payables and accruals

	1998	1997 (Note 14)
Accounts payable and accrued liabilities	$ 9,156,285	$ 10,286,148
Medical Care Commission	188,663	138,569
Provincial Plan	320,643	244,399
	$ 9,665,591	$ 10,669,116

The repayment of the Provincial Plan Payable is contingent upon final settlement for the years 1984 to 1998, which could then result in an adjustment to the amount recorded.

9. Long term debt

	1998	1997 (Note 14)
10.695% bank loan, maturing in 2021, payable in blended monthly payments of $21,205.	$ 2,214,607	$ 2,236,643
8% mortgage, maturing in 2026, payable in blended monthly payments of $9,523.	1,298,013	1,309,481
7.875% Canada Mortgage and Housing Corporation loan, repayable in blended monthly payments of $6,056, maturing in 2022.	790,925	801,743
Obligation under capital lease, 9%, maturing in 2003, payable in blended monthly payments of $9,672.	489,860	553,679
Obligations under capital lease, 10%, maturing in 2000, payable in blended monthly payments of $2,064.	19,634	-
Obligations under capital lease, 6%, maturing in 2001, payable in blended monthly payments of $1,494.	19,920	-
	4,832,959	4,901,546
Less: Amount payable within one year	125,900	108,695
	$ 4,707,059	$ 4,792,851

As security for the mortgages and bank loan, the Corporation has provided a first mortgage over land and buildings at the Corner Brook Interfaith Home and the Bay St. George Senior Citizen's Home.

As security for capital leases the Corporation has provided capital equipment.

10. Obligations under long term debt and leases

The Corporation has acquired building additions and equipment under the terms of long term debt, capital and operating leases. Payments under these obligations, scheduled to expire at various dates to 2003, are as follows:

Fiscal year ended	
1999	$ 151,229
2000	152,306
2001	162,012
2002	157,188
2003	152,707
Less: current portion	151,229
	$ 624,213

11. Transfer to Board of Trustees Funds

Based upon guidelines set down by the Department of Health, the Board of Trustees Fund is responsible for funding any deficits incurred by the operating fund, however, in accordance with the Department of Health's three year budget plan the Corporation does not have to transfer any net deficit to the Board Fund until the fiscal year ended March 31, 1999.

12. Year 2000 issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal operations. It is not possible to be certain that all aspects of the Year 2000 issue affecting the Corporation, including those related to suppliers or other third parties, will be fully resolved.

13. Contingencies and commitments

The corporation has received notice of claims related to employment and other contractual issues. The corporation's solicitors have been engaged to defend these claims and estimate the maximum potential liability to be approximately $ 260,000.

Subsequent to year end, the Corporation has committed to disburse approximately $100,000 to conduct planning and programming studies associated with the construction of health care facilities in the Stephenville and Bonne Bay areas. It is anticipated these funds will be disbursed in the 1998-99 fiscal year.

14. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Chartered Accountants
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Western Health Care Corporation - Operating Fund Financial Statements

March 31, 1999

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Chartered Accountants
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Auditors' Report

To the Members of the Board of
Western Health Care Corporation

We have audited the balance sheet of Western Health Care Corporation - Operating Fund as at March 31, 1999 and the statements of changes in net assets, operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Corporation as at March 31, 1999 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Grant Thornton
Chartered Accountants

Corner Brook, Newfoundland
June 18, 1999

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Western Health Care Corporation
Operating Fund
Balance Sheet

March 31	1999	1998 (Note 14)
Assets		
Current		
Receivables (Note 4)	$ 30,142,655	$ 3,631,932
Inventory	2,282,130	2,077,553
Prepaid expenses	2,537,319	2,412,298
Due from Health and Community Services Western	–	3,090
	34,962,104	8,124,873
Due from associated funds (Note 5)	2,176,842	1,421,140
Capital assets (Note 6)	24,276,165	25,145,852
Trust funds on deposit	348,888	301,780
	$ 61,763,999	$ 34,993,645
Liabilities		
Current		
Bank indebtedness (Note 7)	$ 22,518,126	$ 14,835,869
Payables and accruals (Note 8)	11,375,778	9,476,928
Due to Health and Community Services Western	234,506	–
Deferred contributions – operating	1,164,530	83,279
Deferred contributions - capital	5,265,224	703,510
Vacation pay accrual	2,939,816	3,200,740
Current portion of long term debt	141,300	125,900
	43,639,280	28,426,226
Deferred contributions – capital	19,927,819	15,326,091
Severance pay accrual	12,687,351	11,340,411
Trust funds payable	348,888	301,780
Long term debt (Note 9)	4,562,436	4,707,059
	81,165,774	60,101,567
Net Assets		
Net assets invested in capital assets	(720,057)	(1,860,608)
Unrestricted net assets	(18,681,718)	(23,247,314)
	(19,401,775)	(25,107,922)
	$ 61,763,999	$ 34,993,645

Contingencies and commitments (Note 13)

On behalf of the Board

____________________ Member ____________________ Member

See accompanying notes to the financial statements.

Western Health Care Corporation
Operating Fund
Statement of Changes in Net Assets

March 31			1999	1998 (Note 14)
	Operating	Capital	Total	Total
Balance, beginning of year	$ (23,247,314)	$ (1,860,608)	**$ (25,107,922)**	$ (18,098,111)
Excess of expenditure over revenue (revenue over expenditure)	3,845,539	–	**3,845,539**	(7,009,811)
Amortization of capital assets	2,788,639	(2,788,639)	–	–
Amortization of deferred contributions – capital	(2,020,450)	2,020,450	–	–
Provincial plan revenue – mortgage repayments	(48,132)	48,132	–	–
Special Deficit Funding (Note 2)	–	1,860,608	**1,860,608**	–
Balance, end of year	$ (18,681,718)	$ (720,057)	**$ (19,401,775)**	$ (25,107,922)

See accompanying notes to the financial statements.

Western Health Care Corporation
Operating Fund
Statement of Operations

Year Ended March 31	1999	1998 (Note 14)
Revenue		
Provincial Plan	$ 82,211,413	$ 78,988,376
Other	17,041,910	16,877,091
	99,253,323	95,865,467
Expenditures		
Administrative and support services	35,092,918	35,856,981
Nursing services	43,784,414	46,413,535
Ambulatory care services	9,439,375	5,226,544
Diagnostic and therapeutic services	9,832,838	9,334,890
Educational services	2,294,479	2,413,396
General services	1,521,947	844,204
Community support program	341,903	214,088
	102,307,874	100,303,638
Operating deficit before other items (Note 11)	(3,054,551)	(4,438,171)
Other items		
Special funding to cover prior years' operating deficits (Note 2)	(8,706,163)	–
Increase in severance and vacation pay accrual	1,086,016	1,687,558
Amortization of capital assets	2,788,639	2,434,754
Amortization of deferred contributions – capital	(2,020,450)	(1,506,350)
Provincial plan revenue – mortgage repayments	(48,132)	(44,322)
	(6,900,090)	2,571,640
Excess of revenue over expenditures (expenditures over revenue)	$ 3,845,539	$ (7,009,811)

See accompanying notes to the financial statements.

Western Health Care Corporation
Operating Fund
Statement of Changes in Financial Position

Year Ended March 31	1999	1998 (Note 14)
Cash derived from (applied to)		
Operations		
Excess of revenue over expenditures (expenditures over revenue)	$ 3,845,539	$ (7,009,811)
Increase in severance and vacation pay accrual	1,086,016	1,687,558
Amortization of capital assets	2,788,639	2,434,754
Amortization of deferred contributions – capital	(2,020,450)	(1,506,350)
	5,699,744	(4,393,849)
Changes in		
Receivables	(26,510,723)	1,712,579
Inventory	(204,577)	118,510
Prepaid expenses	(125,021)	(154,169)
Due from associated funds	(518,106)	(1,052,308)
Payables and accruals	7,541,815	(1,151,275)
	(14,116,868)	(4,920,512)
Financing		
Capital contributions	8,482,786	1,373,360
Proceeds from long term debt	–	43,112
Repayment of long term debt	(129,223)	(111,699)
	8,353,563	1,304,773
Investing		
Purchase of capital assets	(1,918,952)	(1,966,370)
Net decrease in cash	(7,682,257)	(5,582,109)
Bank indebtedness, beginning of year	(14,835,869)	(9,253,760)
Bank indebtedness, end of year	$ (22,518,126)	$ (14,835,869)

See accompanying notes to the financial statements.

Western Health Care Corporation
Operating Fund
Notes to the Financial Statements
March 31, 1999

1. Nature of operations

The Western Health Care Corporation ("the Corporation") was constituted under the Hospital's Act (Western Health Care Corporation) Constitution Order and is responsible for the management and control of the operations of acute and long term care facilities in the western region of the province of Newfoundland and Labrador. The Corporation assumed responsibility for these facilities effective January 1, 1996. The institutions are as follows:

Western Memorial Regional Hospital, including Western Linen Services
Bonne Bay Hospital Division
Dr. J. I. O'Connell Centre
Calder Health Care Centre
Rufus Guinchard Health Care Centre
Bay St. George Senior Citizens Home
Sir Thomas Roddick Hospital
Dr Charles L Legrow Health Centre
Interfaith Home for Senior Citizens

The Western Health Care Corporation is a registered charity and consequently is exempt under the Income Tax Act.

2. Prior Year's Deficit Funding.

Subsequent to year end, the Corporation received $15,395,000 to cover prior years' cumulative deficits to March 31, 1998.

This funding has been apportioned and recognized based on the transactions giving rise to these deficits as follows:

• Unrestricted net assets	$ 8,706,163
• Net Assets invested in Capital Assets	1,860,608
• Deferred Contributions – Capital	4,828,229
	$ 15,395,000

The amount related to unrestricted net assets has been recognized as a special item on the Statement of Operations for the current year.

3. Summary of significant accounting policies

The financial statements of the Corporation have been prepared within the framework of generally accepted accounting principles which requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the Corporation are as follows:

Basis of presentation

The Corporation applies fund accounting principles as follows:

The Operating Fund contains the assets, liabilities, revenue and expenditure of the Corporation related to the provision of hospital services, which are funded by the Department of Health.

The Board of Trustees Fund contains special purpose assets and those which may be expended at the discretion of the Board. Revenue consists mainly of investment income and revenue not directly related to hospital operations. Expenditures of this fund consist of hospital operating expenditures not shared by government and those approved by the Board.

The Board of Trustees Fund financial statements are presented separately as well as included in the combined financial statements of the Board.

Inventory

Inventory is valued at average cost on a first-in, first-out basis.

Capital Assets

The Corporation has control over certain assets for which title resides with the Government of Newfoundland and Labrador. These assets have not been recorded in the financial statements of the Corporation. Capital assets acquired after January 1, 1996 are recorded at cost. These assets are amortized on a declining balance basis at the following rates:

Land Improvements	2 ½%
Buildings	2 ½ - 15%
Equipment	15%
Equipment under Capital Leases	15%

3. Summary of significant accounting policies (cont'd)

Capital and Operating Leases

A lease that transfers substantially all of the risks and rewards incidental to the ownership of property is accounted for as a capital lease. Assets acquired under capital lease result in a capital asset and an obligation being recorded equal to the lesser of the present value of the minimum lease payments and the property's fair value at the time of inception. All other leases are accounted for as operating leases and the related payments are expensed as incurred.

Severance Pay Liability

An accrued severance pay liability is recorded in the accounts for all employees who have a vested right to receive such payments. Severance pay vests after nine years of continuous service and no provision has been made for employees with less than nine years.

Revenue Recognition

Provincial plan revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred contributions - operating.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Capital contributions expended are recorded as deferred contributions and amortized to income on a declining balance basis using the same rates as depreciation expense related to the capital assets purchased. Capital contributions expended for non-depreciable capital assets are recorded as direct increases in net assets. Non-expended capital contributions are deferred and are not amortized until expended.

Revenue from the sale of goods and services is recognized at the time the goods are delivered or the services are provided.

4. Receivables

	1999	1998 (Note 14)
Province of Newfoundland		
Capital contributions	$ 4,151,828	$ 218,828
Provincial Plan	7,205,944	55,335
Special Funding	15,460,000	–
Severance funding	164,369	–
Patient services	689,042	741,925
Employees pay and travel advances	822,736	872,936
Harmonized sales tax rebate	322,559	1,075,250
Medical Care Commission	880,972	(188,663)
Other	445,205	856,321
	$ 30,142,655	$ 3,631,932

5. Due from associated funds

	1999	1998 (Note 14)
Board of Trustees Fund	$ 2,052,154	$ 1,326,620
Cottages	22,320	70,349
Western Memorial Hospital Foundation	102,368	24,171
	$ 2,176,842	$ 1,421,140

Amounts due from associated funds are non-interest bearing with no set terms of repayment.

Western Health Care Corporation
Operating Fund
Notes to the Financial Statements

March 31, 1999

6. Capital Assets

1999

	Cost	Accumulated Depreciation	Net Book Value
Land	$ 289,971	$ –	**$ 289,971**
Equipment under Capital Lease	621,070	168,640	**452,430**
Buildings	18,440,194	8,468,316	**9,971,878**
DVA Unit	3,607,044	401,257	**3,205,787**
Parking lot	283,340	124,241	**159,099**
Equipment	29,688,466	19,536,197	**10,152,269**
Motor vehicles	231,567	186,836	**44,731**
	$ 53,161,652	$ 28,885,487	**$ 24,276,165**

1998

	Cost	Accumulated Depreciation	Net Book Value
Land	$ 289,971	$ –	$ 289,971
Equipment under capital lease	621,070	93,161	527,909
Buildings	18,239,220	7,803,525	10,435,695
DVA Unit	3,607,044	187,538	3,419,506
Parking lot	283,340	120,162	163,178
Equipment	27,970,488	17,716,809	10,253,679
Motor vehicles	231,567	175,653	55,914
	$ 51,242,700	$ 26,096,848	$ 25,145,852

7. Bank indebtedness

The Corporation has signed an overdraft lending agreement with interest being charged at prime less 0.5% on any overdraft (March 31,1999 – 6.25%; March 31, 1998 – 6.0%).

8. Payables and accruals

	1999	1998 (Note 14)
Accounts payable and accrued liabilities	$ 11,055,135	$ 9,156,285
Provincial Plan	320,643	320,643
	$ 11,375,778	$ 9,476,928

The repayment of the Provincial Plan Payable is contingent upon final settlement for the years 1984 to 1998, which could then result in an adjustment to the amount recorded.

9. Long term debt

	1999	1998 (Note 14)
10.695% bank loan, maturing in 2021, payable in blended monthly payments of $21,205.	$ 2,190,850	$ 2,214,607
8% mortgage, maturing in 2026, payable in blended monthly payments of $9,523.	1,285,425	1,298,013
7.875% Canada Mortgage and Housing Corporation loan, repayable in blended monthly payments of $6,056, maturing in 2022.	779,138	790,925
Obligation under capital lease, 9%, maturing in 2003, payable in blended monthly payments of $9,672.	420,168	489,860
Obligations under capital lease, 10%, maturing in 2000, Payable in blended monthly payments of $2,064.	13,118	19,634
Obligations under capital lease, 6%, maturing in 2001, Payable in blended monthly payments of $1,494.	15,037	19,920
	4,703,736	4,832,959
Less: Amount payable within one year	141,300	125,900
	$ 4,562,436	$ 4,707,059

As security for the mortgages and bank loan, the Corporation has provided a first mortgage over land and buildings at the Corner Brook Interfaith Home and the Bay St. George Senior Citizens Home.

As security for capital leases the Corporation has provided capital equipment.

10. Obligations under long term debt and leases

The Corporation has acquired building additions and equipment under the terms of long term debt, capital and operating leases. Payments under these obligations, scheduled to expire at various dates to 2004, are as follows:

Fiscal year ended		
2000	$	152,306
2001		162,012
2002		157,188
2003		152,707
2004		147,200
Less: current portion		152,306
	$	619,107

11. Transfer to Board of Trustees Funds

In accordance with the Department of Health's three year budget plan, the Corporation was required to transfer any net deficit to the Board of Trustees Fund in the fiscal year ended March 31, 1999. Subsequent to year end, direction has been received from the Department of Health not to transfer the cumulative operating deficits of the three year budget plan to the Board of Trustees Fund. The Department of Health, in conjunction with the Corporation, are seeking alternative methods to address the funding of the deficit. These methods will not be determined until the 1999-2000 fiscal year.

12. Year 2000 Issue

The Year 2000 issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in error when information using Year 2000 dates are processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect the Corporation's ability to conduct normal operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the Corporation, including those related to supplies or other third parties, will be fully resolved.

13. Contingencies and commitments

The corporation has received notice of claims related to employment and other contractual issues. The corporation's solicitors have been engaged to defend these claims and estimate the maximum potential liability to be approximately $ 210,000.

14. Comparative figures

Certain comparative figures have been reclassified to conform with the current year's presentation.

Chartered Accountants
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Western Regional Health and Community Services Board - Operating Fund
Financial Statements
March 31, 1998

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Chartered Accountants
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Auditors' Report

To the Members of the
Western Regional Health and Community Services Board

We have audited the balance sheet of Western Regional Health and Community Services Board - Operating Fund as at March 31, 1998 and the statements of changes in net assets, operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board - Operating Fund as at March 31, 1998 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Corner Brook, Newfoundland
November 24, 1998

Grant Thornton
Chartered Accountants

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Western Regional Health and Community Services Board
Operating Fund
Balance Sheet

March 31	1998	1997
Assets		
Current		
Cash and temporary investments	$ 5,278,727	$ 1,076,747
Receivables	40,518	169,814
Prepaid expenses	317,999	262,899
Due from Western Health Care Corporation	-	1,093,341
	5,637,244	2,602,801
Payroll advance	106,013	-
Leasehold improvements and equipment (Note 3)	260,204	253,606
	$ 6,003,461	$ 2,856,407
Liabilities		
Current		
Payables and accruals	$ 909,949	$ 438,013
Deferred contributions - operating	41,500	-
Due to Western Health Care Corporation	718,831	-
Vacation pay accrual	410,093	270,447
	2,080,373	708,460
Due to Trustees Fund, non interest bearing with no set terms of repayment	2,384,756	2,164,788
Severance pay accrual	989,422	816,148
	5,454,551	3,689,396
Net assets		
Net assets invested in capital assets	260,204	253,606
Unrestricted net assets	288,706	(1,086,595)
	548,910	(832,989)
	$ 6,003,461	$ 2,856,407

Contingency (Note 7)

On behalf of the Board

_______________ Member _______________ Member

See accompanying notes to the financial statements.

Western Regional Health and Community Services Board
Operating Fund
Statement of Changes in Net Assets

Year Ended March 31	Operating	Capital	1998 Total	1997 Total
Balance, beginning of year	$ (1,086,595)	$ 253,606	**$ (832,989)**	$ (375,258)
Excess of revenue over expenditure	1,347,580	-	**1,347,580**	1,869,478
Amortization of capital assets	71,659	(71,659)	**-**	-
Capital grant Trustees Fund-	-	58,257	**58,257**	112,242
Capital grant Province of NF	-	20,000	**20,000**	20,000
Transfer to Trustees Fund (Note 4)	-	-	**-**	(2,162,750)
Severance and vacation transfer from WHCC (Note 5)	(43,938)	-	**(43,938)**	(296,701)
Balance, end of year	$ 288,706	$ 260,204	**$ 548,910**	$ (832,989) ✓

See accompanying notes to the financial statements.

Western Regional Health and Community Services Board
Operating Fund
Statement of Operations

Year Ended March 31	1998	1997
Revenue		
Provincial Plan	$ 13,601,328	$ 12,023,377
Other	233,207	222,257
	13,834,535	12,245,634
Expenditures		
Administrative and support services	1,909,644	1,845,565
Public health nursing	5,432,157	4,229,095
Health promotion, health protection and research	631,193	470,432
Addictions, mental health and rehabilitative services		
Addictions	886,729	712,571
Mental health	626,438	429,845
Rehabilitative services	2,660,153	2,395,376
	12,146,314	10,082,884
Operating surplus before other items (Note 4)	1,688,221	2,162,750
Other items		
Amortization of capital assets	71,659	46,870
Increase in severance and vacation pay accrual (Note 2)	268,982	246,402
	340,641	293,272
Excess of revenue over expenditures	$ 1,347,580	$ 1,869,478

See accompanying notes to the financial statements.

Western Regional Health and Community Services Board
Operating Fund
Statement of Changes in Financial Position

Year Ended March 31	1998	1997
Cash derived from (applied to)		
Operations		
Excess of revenue over expenditures	$ 1,347,580	$ 1,869,478
Amortization of capital assets	71,659	46,870
Severance and vacation transfer from Western Health Care Corporation	(43,938)	(296,701)
Transfer to Trustees Fund	-	(2,162,750)
	1,375,301	(543,103)
Changes in		
Receivables	129,296	(87,814)
Prepaid expenses	(55,100)	79,601
Payroll advance	(106,013)	-
Payables and accruals	471,936	225,577
Deferred contributions - operating	41,500	(34,000)
Severance and vacation pay accrual	312,920	543,103
	2,169,840	183,364
Financing		
Advances (to) from Trustees Fund	219,968	2,436,693
Advances (to) from Western Health Care Corporation	1,812,172	(1,971,177)
Capital grant - Province of Newfoundland	20,000	20,000
Capital grant - Trustees Fund	58,257	112,242
	2,110,397	597,758
Investing		
Purchases of equipment and leasehold improvements	(78,257)	(132,242)
Net increase in cash and temporary investments	4,201,980	648,880
Cash and temporary investments,		
Beginning of year	1,076,747	427,867
End of year	$ 5,278,727	$ 1,076,747

See accompanying notes to the financial statements.

Western Regional Health and Community Services Board
Operating Fund
Notes to the Financial Statements
March 31, 1998

1. Nature of operations

The Western Regional Health and Community Services Board is responsible for the delivery of health services, other than hospital services in areas of health promotion and protection research, public health services and continuing care, mental health, addictions and rehabilitative services.

2. Summary of significant accounting policies

The financial statements of the Board have been prepared within the framework of generally accepted accounting principles which requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the Board are as follows:

Basis of presentation
The Board applies fund accounting principles as follows:

The Operating Fund contains the assets, liabilities, revenue and expenditure of the Board related to the provision of community services, which are funded by the Department of Health.

The Trustees Fund contains assets which may be expended at the discretion of the Board. Its revenue consists of investment income. Expenditures of this fund consist of operating expenditures not shared by government and those approved by the Board.

The Trustees Fund financial statements are presented separately as well as included in the combined financial statements of the Board

Amortization
Amortization of leasehold improvements and equipment is recorded on a straight line method over a period of five years.

Revenue recognition
Provincial plan revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred contributions - operating.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Capital contributions expended for capital assets are recorded as direct increases in net assets. Non-expended capital contributions are deferred and recorded as deferred contributions - capital.

Revenue from the sale of goods and services is recognized at the time the goods are delivered of the services are provided.

Severance and vacation pay
An accrued liability for severance and vacation pay is recorded in the accounts for all employees who have a vested right to receive such payments. Severance pay vests after nine years of continuous service and no provision has been made for employees with less than nine years.

The increase in the severance and vacation accrual does not include the amounts paid during the year for severance and vacation pay. These amounts are included in salaries and benefits expense given that they are funded and the funding is included in the current year's revenue.

3. Leasehold improvements and equipment

1998

	Cost	Accumulated Depreciation	Net Book Value
Leasehold improvements	$ 33,802	$ 16,224	$ 17,578
Equipment	363,623	120,997	242,626
	$ 397,425	$ 137,221	$ 260,204

1997

	Cost	Accumulated Depreciation	Net Book Value
Leasehold improvements	$ 33,802	$ 9,464	$ 24,338
Equipment	285,366	56,098	229,268
	$ 319,168	$ 65,562	$ 253,606

4. Transfer to Trustees Fund

Based upon guidelines set down by the Department of Health, a portion of the surplus earned on the Operating Fund may be transferred to the Trustees Fund. The Board of Trustees is also responsible for funding any deficits incurred by the Operating Fund. In accordance with the Department of Health's budget plan, the surplus (deficit) transfer to the Trustee's Fund will occur during the fiscal year ended March 31, 1999.

5. Severance and vacation transfer from Western Health Care Corporation

Subsequent to January 1, 1996 the Board has assumed responsibilities for programs previously administered by other entities. Severance and vacation liabilities for the people employed within these transferred programs have been assumed by the Western Regional Health and Community Services Board and reported in the appropriate accounting period.

6. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the year 2000 as 1900 or some other date, resulting in errors when information using year 2000 dates is processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the year 2000 Issue affecting the organization, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

7. Contingency

The board has received notice of a pending claim related to a tendered contract. The board's solicitors have been engaged to defend the claim and the potential liability is not determinable at this time.

8. Comparative figures

Certain comparative figures have been reclassified to conform with the financial statement presentation adopted for the current year.

Western Regional Health and Community Services Board
Operating Fund
Schedule of Revenue and Expenditure for Government Reporting

Year Ended March 31,	1998	1997
Revenue		
Provincial Plan	$ 13,601,328	$ 12,023,377
Other	233,207	222,257
	13,834,535	12,245,634
Expenses		
Equipment rental	98,402	58,509
Insurance	1,681	126
Management fees	158	-
Membership fees	10,224	21,426
Professional fees	37,014	2,292
Purchased and client services	2,710,899	1,864,318
Recruitment	10,779	2,561
Repairs and maintenance and minor equipment purchases	67,843	(1,669)
Salaries and benefits	8,383,702	7,530,020
Supplies and travel	742,544	510,253
Telephone	83,068	95,048
	12,146,314	10,082,884
Operating surplus before other items	1,688,221	2,162,750
Other items		
Amortization of capital assets	71,659	46,870
Increase in severence and vacation pay accrual	268,982	246,402
	340,641	293,272
Excess of revenue over expenditures	$ 1,347,580	$ 1,869,478

Chartered Accountants
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Western Regional Health and Community Services Board - Operating Fund
Financial Statements
March 31, 1999

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Auditors' Report

To the Members of the
Western Regional Health and Community Services Board

We have audited the balance sheet of Western Regional Health and Community Services Board - Operating Fund as at March 31, 1999 and the statements of changes in net assets, operations and changes in financial position for the year then ended. These financial statements are the responsibility of the Board's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the Board - Operating Fund as at March 31, 1999 and the results of its operations and changes in its financial position for the year then ended in accordance with generally accepted accounting principles.

Grant Thornton
Chartered Accountants

Corner Brook, Newfoundland
June 9, 1999

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49-51 Park Street
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Western Regional Health and Community Services Board
Operating Fund
Balance Sheet

March 31	1999	1998
Assets		
Current		
Cash and temporary investments	$ 3,277,202	$ 5,278,727
Receivables (Note 3)	534,644	40,518
Prepaid expenses	338,567	317,999
Due from Western Health Care Corporation	271,968	-
	4,422,381	5,637,244
Payroll advance	114,218	106,013
Leasehold improvements and equipment (Note 4)	331,038	260,204
	$ 4,867,637	$ 6,003,461
Liabilities		
Current		
Payables and accruals	$ 1,476,880	$ 909,949
Deferred contributions - operating	158,547	41,500
Due to Western Health Care Corporation	-	718,831
Vacation pay accrual	397,942	410,093
	2,033,369	2,080,373
Due to Trustees Fund, non interest bearing with no set terms of repayment	2,359,045	2,384,756
Severance pay accrual	1,134,398	989,422
	5,526,812	5,454,551
Net assets		
Net assets invested in capital assets	331,038	260,204
Unrestricted net assets	(990,213)	288,706
	(659,175)	548,910
	$ 4,867,637	$ 6,003,461

On behalf of the Board

Regina Warren Member CARL D. SPARROW · Member

See accompanying notes to the financial statements.

Western Regional Health and Community Services Board
Operating Fund
Statement of Changes in Net Assets

Year Ended March 31	Operating	Capital	1999 Total	1998 Total
Balance, beginning of year	$ 288,706	$ 260,204	**$ 548,910**	$ (832,989)
Excess(deficiency) of revenue over expenditures	(492,619)	-	**(492,619)**	1,347,580
Amortization of capital assets	65,700	(65,700)	**-**	-
Capital grant Trustees Fund	-	109,989	**109,989**	58,257
Capital grant Province of NF	-	20,000	**20,000**	20,000
Capital grant Western Memorial Hospital Foundation	-	6,545	**6,545**	-
Grant provided to Western Health Care Corporation(Note 5)	(852,000)	-	**(852,000)**	
Severance and vacation transfer from WHCC	-	-	**-**	(43,938)
Balance, end of year	$ (990,213)	$ 331,038	**$ (659,175)**	$ 548,910

See accompanying notes to the financial statements.

Western Regional Health and Community Services Board
Operating Fund
Statement of Operations

Year Ended March 31	1999	1998
Revenue		
Provincial Plan	$ 12,907,938	$ 13,601,328
Other	232,885	233,207
	13,140,823	13,834,535
Expenditures		
Administrative and support services	2,344,511	1,909,644
Public health nursing	5,943,990	5,432,157
Health promotion, health protection and research	733,975	631,193
Addictions, mental health and rehabilitative services		
Addictions	993,911	886,729
Mental health	683,471	626,438
Rehabilitative services	2,735,059	2,660,153
	13,434,917	12,146,314
Operating (deficit) surplus before other items	(294,094)	1,688,221
Other items		
Amortization of capital assets	65,700	71,659
Increase in severance and vacation pay accrual (Note 2)	132,825	268,982
	198,525	340,641
Excess(deficiency) of revenue over expenditures	$ (492,619)	$ 1,347,580

See accompanying notes to the financial statements.

Western Regional Health and Community Services Board
Operating Fund
Statement of Changes in Financial Position

Year Ended March 31	1999	1998
Cash derived from (applied to)		
Operations		
Excess(deficiency) of revenue over expenditures	$ (492,619)	$ 1,347,580
Amortization of capital assets	65,700	71,659
Severance and vacation transfer from Western Health Care Corporation	-	(43,938)
	(426,919)	1,375,301
Changes in		
Receivables	(494,126)	129,296
Prepaid expenses	(20,568)	(55,100)
Payroll advance	(8,205)	(106,013)
Payables and accruals	566,931	471,936
Deferred contributions - operating	117,047	41,500
Severance and vacation pay accrual	132,825	312,920
	(133,015)	2,169,840
Financing		
Advances (to) from Trustees Fund	(25,711)	219,968
Advances (to) from Western Health Care Corporation	(990,799)	1,812,172
Capital grant - Province of Newfoundland	20,000	20,000
Capital grant - Trustees Fund	109,989	58,257
Capital grant – Western Memorial Hospital Foundation	6,545	-
Grant – Western Health Care Corporation	(852,000)	
	(1,731,976)	2,110,397
Investing		
Purchases of equipment and leasehold improvements	(136,534)	(78,257)
Net (decrease)increase in cash and temporary investments	(2,001,525)	4,201,980
Cash and temporary investments, Beginning of year	5,278,727	1,076,747
End of year	$ 3,277,202	$ 5,278,727

See accompanying notes to the financial statements.

1. Nature of operations

The Western Regional Health and Community Services Board is responsible for the delivery of health services, other than hospital services in areas of health promotion and protection research, public health services and continuing care, mental health, addictions and rehabilitative services.

2. Summary of significant accounting policies

The financial statements of the Board have been prepared within the framework of generally accepted accounting principles which requires the use of estimates and assumptions that affect the amounts reported and disclosed in these statements and related notes. Any variations between these estimates and actual amounts are not expected to materially affect reported results. The more significant accounting policies of the Board are as follows:

Basis of presentation
The Board applies fund accounting principles as follows:

The Operating Fund contains the assets, liabilities, revenue and expenditure of the Board related to the provision of community services, which are funded by the Department of Health.

The Trustees Fund contains assets which may be expended at the discretion of the Board. Its revenue consists of investment income. Expenditures of this fund consist of operating expenditures not shared by government and those approved by the Board.

The Trustees Fund financial statements are presented separately as well as included in the combined financial statements of the Board

Amortization
Amortization of leasehold improvements and equipment is recorded on a declining balance basis over a period of five years.

Revenue recognition
Provincial plan revenue is recognized in the period in which entitlement arises. Revenue received for a future period is deferred until that future period and is reflected as deferred contributions - operating.

Unrestricted cash donations are recognized as revenue when they are received. Donations of materials and services that would otherwise have been purchased are recorded at fair value when a fair value can be reasonably determined.

Western Regional Health and Community Services Board
Operating Fund
Notes to the Financial Statements
March 31, 1999

2. Summary of significant accounting policies (cont'd)

Capital contributions expended for capital assets are recorded as direct increases in net assets. Non-expended capital contributions are deferred and recorded as deferred contributions - capital.

Revenue from the sale of goods and services is recognized at the time the goods are delivered the services are provided.

Severance and vacation pay

An accrued liability for severance and vacation pay is recorded in the accounts for all employees who have a vested right to receive such payments. Severance pay vests after nine years of continuous service and no provision has been made for employees with less than nine years.

The increase in the severance and vacation accrual does not include the amounts paid during the year for severance and vacation pay. These amounts are included in salaries and benefits expense given that they are funded and the funding is included in the current year's revenue.

3. Receivables

	1999	1998
Department of Health	$ 468,122	$ 2,890
Other	66,522	37,628
	$ 534,644	$ 40,518

Western Regional Health and Community Services Board
Operating Fund
Notes to the Financial Statements
March 31, 1999

4. Leasehold improvements and equipment

1999

	Cost	Accumulated Depreciation	Net Book Value
Leasehold improvements	$ 33,802	$ 19,740	$ 14,062
Equipment	500,151	183,175	316,976
	$ 533,953	$ 202,915	$ 331,038

1998

	Cost	Accumulated Depreciation	Net Book Value
Leasehold improvements	$ 33,802	$ 16,224	$ 17,578
Equipment	363,623	120,997	242,626
	$ 397,425	$ 137,221	$ 260,204

5. Grant provided to Western Health Care Corporation

During the year, the Department of Health approved a transfer of $852,000 to Western Health Care Corporation to assist with the implementation of Meditech, the new systems software to be used by both organizations.

6. Operating Fund Transfers

In accordance with the Department of Health's budget plan, the accumulated surplus (deficit) of all provincial Health and Community Services Boards was to remain in the Operating Funds for the March 31, 1997 to March 31, 1999 fiscal periods. However, the Western Regional Health and Community Services Board received special authorization to transfer the March 31, 1997 surplus to the Trustees Fund. Subsequent to March 31, 1999, the Department of Health will review the results of the three years operations and provide further guidance to all Boards. As at the date of release of these financial statements, the Department of Health has not completed its review and, as such, these financial statements do not include any transfers of surpluses or deficits from the Operating Fund to the Trustees Fund for the March 31, 1998 or March 31, 1999 fiscal periods.

7. Uncertainty due to the Year 2000 Issue

The Year 2000 Issue arises because many computerized systems use two digits rather than four to identify a year. Date-sensitive systems may recognize the Year 2000 as 1900 or some other date, resulting in errors when information using Year 2000 dates are processed. In addition, similar problems may arise in some systems which use certain dates in 1999 to represent something other than a date. The effects of the Year 2000 Issue may be experienced before, on, or after January 1, 2000, and, if not addressed, the impact on operations and financial reporting may range from minor errors to significant systems failure which could affect an entity's ability to conduct normal business operations. It is not possible to be certain that all aspects of the Year 2000 Issue affecting the organization, including those related to the efforts of customers, suppliers, or other third parties, will be fully resolved.

Western Regional Health and Community Services Board
Operating Fund
Schedule of Revenue and Expenditure for Government Reporting

Year Ended March 31,	1999	1998
Revenue		
Provincial Plan	$ 12,907,938	$ 13,601,328
Other	232,885	233,207
	13,140,823	13,834,535
Expenses		
Equipment rental	193,654	98,402
Insurance	5,157	1,681
Management fees	6,577	158
Membership fees	17,040	10,224
Professional fees	53,202	37,014
Purchased and client services	3,075,975	2,710,899
Recruitment	39,336	10,779
Repairs and maintenance and minor equipment purchases	121,283	67,843
Salaries and benefits	9,135,647	8,383,702
Supplies and travel	757,496	742,544
Telephone	29,550	83,068
	13,434,917	12,146,314
Operating (deficit)surplus before other items	(294,094)	1,688,221
Other items		
Amortization of capital assets	65,700	71,659
Increase in severence and vacation pay accrual	132,825	268,982
	198,525	340,641
Excess(deficiency) of revenue over expenditures	$ (492,619)	$ 1,347,580